PIVOVARNA LAŠKO UNION d.o.o.

ANNUAL REPORT

2020

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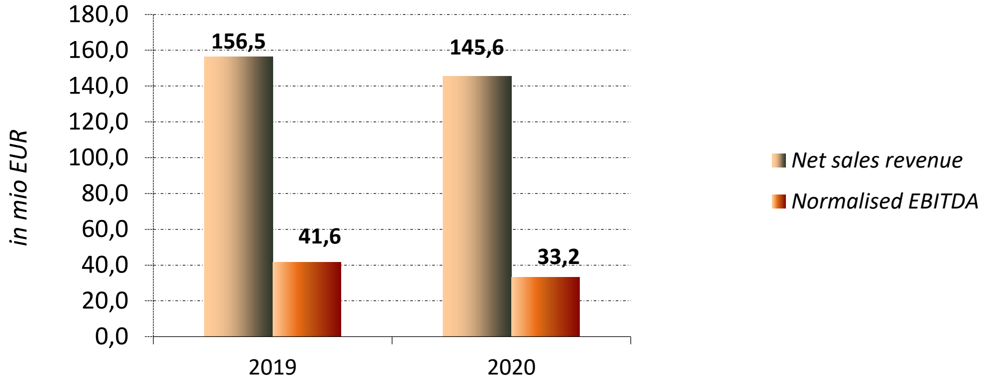
1. INTRODUCTION

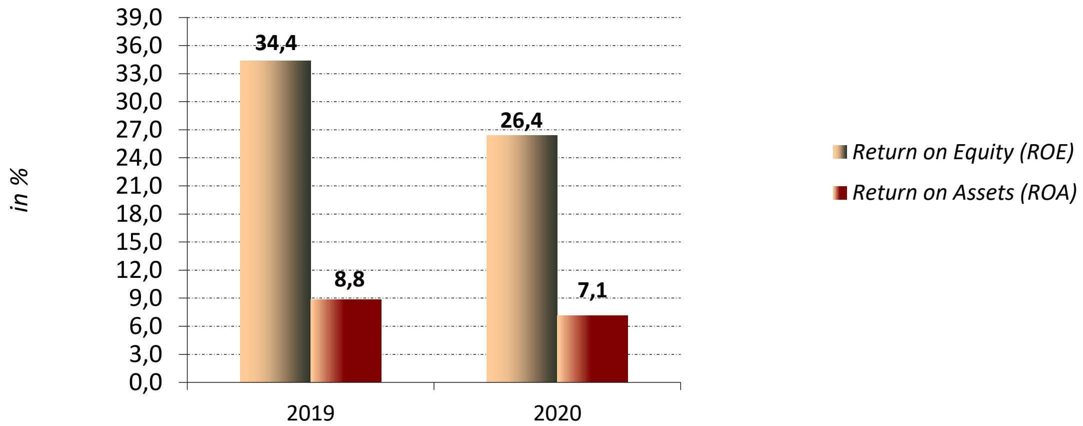
1.1 Business data of Pivovarna Laško Union d.o.o.

Sales revenue and normalised profits with depreciation (EBITDA)



Normalised EBIT for 2020 is calculated from operating profits increased or decreased by the impact of one-off business activities (profits and loss from the sale of fixed assets, long-term investments in subsidiary and costs related to restructuring). Normalised EBITDA is the sum of normalised EBIT and the depreciation.

Return on Assets (ROA) and Return on Equity (ROE)[1]



[1] *In the calculation of the Return on Equity and Return on Assets, the normalised net profits were taken into account.*

1.2 Vision, mission, values, business plan and strategy

Vision
Brew a better friendship, society, business.

Mission
To create added value for our customers, consumers through our brands, while acting in a socially responsible manner.

The most important values in our company for ensuring sustainable growth are:
- PASSION for quality,
- ENJOYMENT, which we bring to our lives,
- RESPECT for individuals, society and the planet.

Important basic premises for the preparation of the **plan** for 2021 include:
- Continue to deploy our safety first strategy to ensure safety of our employees and partners.
- Grow Lasko, Union and our Heineken brands through deploying our innovation strategy.
- Improve and optimize our operating efficiency through deployment of TPM, while at the same time ensuring that employee skills are continually upgraded.

The company has adopted and approved its long-term operational **strategy** for the period until 2022. It focuses on the development of brands, increase of sales, optimisation of the E2E operations of the company, development of human resources and sustainable development.

1.3 Presentation of the company Pivovarna Laško Union d.o.o.

Pivovarna Laško Union d.o.o. (hereinafter: PLU) is the leading beer producer in Slovenia. In 2016, Pivovarna Laško and Pivovarna Union joined strengths in the company, and in the same year the company came under 100 percent ownership of Heineken from the Netherlands.

A company with a neary 200 years of tradition produces its products at two locations – in Laško and Ljubljana. Our brands – with the two most recognised being Laško Zlatorog and Union Svetlo – reflect the passion for quality and commitment to bring pleasure to people’s lives.

Social responsibility is an integral part of business strategy and mindset of the company. It is a model of business excellence and a competitive advantage. It is a value and a choice. It helps the company strive towards sustainable development and activities which are socially beneficial and based on knowledge and partnership.

1.3.1 COMPANY PROFILE

Pivovarna Laško Union d.o.o., Ljubljana, Pivovarniška ulica 2, 1000 Ljubljana, is registered in the court register of the Celje District Court under the number 1/00171/00, decision number SRG 2016/28597 dated 1 July 2016.

Company name:	PIVOVARNA LAŠKO UNION d.o.o.
Form of organisation:	Limited Liability Company
Share capital of the company:	EUR 36,503,305
Company code:	5049318
Tax number:	SI 90355580
Activity code:	C 11.050

Type of business and principal activities:
PRODUCTION OF BEER, SOFT DRINKS AND WATER

Company management: Structure as at 31 December 2020	Zooullis Mina, Managing Director Mirjam Hočevar, Finance Director Neven Madzharov, Supply Chain Director Irena Brugger, Sales Director David Zappe, Marketing Director Gregor Rajšp, HR Director

E-mail:	info.plu@heineken.com
Website:	http://www.pivovarnalaskounion.com
Telephone:	+386 1 471 72 17
Telefax:	+386 1 471 72 55

2. BUSINESS REPORT

2.1 Corporate Governance

UNTIL 12 JANUARY 2021 THE MANAGEMENT WAS BASED ON A TWO-TIER SYSTEM, BASED ON WHICH THE COMPANY WAS RUN BY THE MANAGEMENT AND ITS OPERATIONS WERE OVERSEEN BY THE SUPERVISORY BOARD. ON 12 JANUARY 2021, THE COMPANY STARTED USING A SINGLE-TIER MANAGEMENT SYSTEM.

The corporate governance principles of the PLU are based on applicable regulations in the Republic of Slovenia, the Memorandum of Association of the Limited Liability company Pivovarna Laško Union d.o.o. (hereinafter: Memorandum of Association), and the established good practices of the Heineken Group.

Until 12 January 2021, the management was based on a two-tier system, according to which the company is managed by the Management, while the Supervisory Board oversaw its operations. Until 12 January 2021, the company's bodies included the Founder, which constituted the General Meeting, the Supervisory Board, and the Management of the company.

On 12 January 2021, the court register published an adopted Memorandum of Association pursuant to which the two-tier system was abolished and a single-tier management system was introduced. Since 12 January 2021, the company's bodies include the Founder, which constitutes the General Meeting, and the Management of the company.

2.1.1 POWERS OF THE FOUNDER

Pursuant to the Memorandum of Association, adopted on the basis of provisions of the Companies Act (ZGD-1), the Founder is the highest body of the company.

On the grounds of participation in the share capital of the company, the Founder holds the following rights:

- the right to participate in profit sharing;
- the right to the relevant part of the remaining property after liquidation or bankruptcy of the company;
- other rights as determined by the legislation or the Memorandum of Association.

The Founder shall not be liable for the company's obligations.

The Founder shall independently decide on:

- the adoption of general acts of the company within its powers, as well as any amendments or supplements thereto;
- amendments to the Memorandum of Association of the company;
- decrease of share capital;
- increase of share capital;
- status changes and transformation of the company;
- the adoption of the Annual Report and the use of the net profit or covering a net losses,
- appointment and dismissal of the Supervisory Board members of the company, with the exception of Supervisory Board members appointed by the company's Work Council (until 12 January 2021);
- appointment and removal of company directors (from 12 January 2021);

- winding-up and liquidation of the company;
- other matters, if determined so by the legislation or the Memorandum of Association.

The Founder decides on or adopts all decisions by entering them into the Register of decisions, approved by the notary. Decisions that are not entered into the Register of decisions shall have no legal effect.

The Founder shall appoint an auditor of the audit company for the auditing of the company's annual business accounts.

The share capital of the company amounts to EUR 36,503,304.96 and constitutes a single business interest of the Founder in the same amount: Heineken International B.V. with registered office in Amsterdam and the business address at Tweede Weteringplantsoen 21, 1017 ZD Amsterdam, the Netherlands, which is equivalent to a 100% business interest. As of 1 July 2016 the share capital had been fully paid-up.

2.1.2 SUPERVISORY BOARD

The responsibility of the Supervisory Board is to oversee the business management of the company and exercise of its powers pursuant to the company’s Memorandum of Association.

Responsibilities of the Supervisory Board include:

- Making decisions on the appointment and removal of the members of the Management;
- Reviewing the Annual Report of the company;
- Reviewing the Long Term and Annual Business Plan, including the company’s investment plans and quarterly results;
- Performing tasks delegated by the Founder.

The structure of the Supervisory Board of the company is determined in the company’s Memorandum of Association. The Supervisory Board of the company is made up of six members. All of whom have equal rights and duties, unless stipulated otherwise by the Memorandum of Association. Four members of the Supervisory Board of the company are Founder’s representatives, while the remaining two are employee representatives, elected by the Works Council. The Supervisory Board can also decide that specific resolutions of the Management require approval by the Supervisory Board of the company.

Supervisory Board structure
as of 31 December 2020

Founder’s representatives:
Dimitar Alexiev Dimitrov, chairman
Mark Piet Jan Rutten, member
Dušan Zorko, member
Edyta Jakubek, member

Employee representatives:
Boštjan Teršek, Deputy Chairman
Nataša Kočar Mlinarič, member

Supervisory Board structure
as of 31 December 2019

Founder’s representatives:
Dimitar Alexiev Dimitrov, chairman
Mark Piet Jan Rutten, member
Dušan Zorko, member
Edyta Jakubek, member

Employee representatives:
Boštjan Teršek, Deputy Chairman
Domen Verbič, member

At its meeting on 6 April 2020 the Work Council appointed Ms Nataša Kočar Mlinarič as the employee representative - second Member of the Supervisory Board for a new term of office as of 6 April 2020.

2.1.3 COMPANY MANAGEMENT

The company's Management manages the company's business at its own responsibility, represents the company and acts on its behalf, and performs other tasks pursuant to the law and company acts.

The Management consists of a maximum of eight directors, of which one shall be appointed as the Managing Director while others will be appointed Directors. If there is only one director, they shall be appointed the Managing Director. The Director shall act for the benefit of the Company while performing their tasks, with the care of a conscientious and honest economic operator, and shall protect the business secrets of the company. The diligence and responsibilities of the Directors, as well as their liability for the influence of third parties, shall be subject to the legal acts regulating business entities.

The Managing Director and other Directors are appointed and removed by the Founder (Supervisory Board until 12 January 2021). The term of office of the Managing Director, Deputy Managing Director and other Directors can be a maximum of 3 years. However, each director can be re-appointed upon expiration of their term. The company is represented jointly by the Managing Director and one of the other Directors.

The Management of the company decides with a majority vote of all present or represented Directors, or unanimously in the event that the Management consists of two members only. The Managing Director and all other Directors shall each have one vote. In agreement with the Supervisory Board, the Management shall adopt the Rules of Procedure for the work of the Management, laying down the manner of work and decision-making of the Management.

The Management of the company must ensure that all transactions comply with the relevant Heineken Group policies, i.e. especially that:

- Business acquisitions and divestments will be made in accordance with the Heineken Business Development procedure;
- Receiving and extending loans is fully aligned and agreed with Heineken Global Treasury;
- Investments and commitments are subject to compliance with Heineken Global Fund Application Policy.

Structure of the Management as of 31 December 2020

Zooullis Mina, Managing Director
Mirjam Hočevar, Finance Director
Neven Madzharov, Supply Chain Director
Irena Brugger, Sales Director
David Zappe, Marketing Director
Gregor Rajšp, HR Director

Structure of the Management as of 31 December 2019

Zooullis Mina, Managing Director
Mirjam Hočevar, Finance Director
Neven Madzharov, Supply Chain Director
Irena Brugger, Sales Director
David Zappe, Marketing Director
Gregor Rajšp, HR Director

2.2 Statement on corporate governance and compliance with HeiCode

THE MANAGEMENT OF PIVOVARNA LAŠKO UNION D.O.O. HEREBY DECLARES THAT THE COMPANY COMPLIES WITH THE PROVISIONS OF THE HEINEKEN RULES AND THE HEINEKEN CODE OF BUSINESS CONDUCT (HEICODE).

2.2.1 COMPLIANCE OF CORPORATE GOVERNANCE WITH THE PROVISIONS OF HEINEKEN RULES AND THE HEINEKEN CODE OF BUSINESS CONDUCT (HeiCode)

The Management of the company PLU complies with the laws of the Republic of Slovenia and respects the applicable legislation in the Republic of Slovenia, including all secondary legislation. Moreover, the company adopted all required internal acts, as stipulated by the applicable legislation in the Republic of Slovenia. Furthermore, the company adopted other rules to regulate specific internal areas of the company's business. After integration into the Heineken Group the company also began to implement Heineken Group policies.

The Management of PLU hereby declares that the company complies with the provisions of the Heineken Rules and The Code of Business Conduct (short HeiCode), which is an integral part of the Heineken Rules. The HeiCode policies have been translated into Slovene and published on the company portal. A summary of the policies is also available in the form of a brochure.

2.2.2 MAIN CHARACTERISTICS OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN CONNECTION WITH THE FINANCIAL REPORTING PROCEDURE

The company PLU adopted a systematic approach for the identification of all type of risks. The main focus is put on strategic risks and fraud prevention. With the aim to control risk we implemented internal control procedures at all levels. The aim of internal controls is to provide the accuracy, reliability and transparency of all processes, as well as to manage all types of risks, including those related to accounting reporting. At the same time the internal control system aims to implement mechanisms that prevent the irrational use of property and facilitate cost efficiency.

The internal controls system includes procedures, which ensure that:

- Business events are recorded accurately and fairly on the basis of authentic accounting documents, while providing assurance that the company fairly manages its property;
- Business events are recorded and that financial statements are produced in accordance with applicable legislation;
- Potential unauthorised acquisition, use or disposal of the company's assets, which could have a significant impact on financial statements, is duly prevented or detected in due time

Internal company controls are being implemented in all departments. We dedicate special attention to such internal controls, which have a significant impact on the accuracy and timeliness of financial statements, as well as compliance with applicable accounting, tax and other regulations. The regularity and efficiency of internal control implementation is the responsibility of the Process and Control Improvement Department according to its annual plan, and according to the Process and Control and Internal Audit functions of the parent company. External certified information system auditors and information system auditors from the parent company verify the performance of internal controls within the information system on an annual basis.

2.2.3 EXTERNAL AUDIT

Regular external audit

With a decision on 16 September 2019, the Founder appointed the audit firm Deloitte Revizija d.o.o., Ljubljana, for the auditing of financial statements for the period of three years (i.e. 2019 – 2021). During the review of financial statements, the audit firm reports its findings to the Management and briefs the Supervisory Board and Founder thereupon. The Founder is responsible for the adoption of the company's Annual Report.

In Ljubljana, on 31 May 2021

Zooullis Mina
Managing Director

Mirjam Hočevar
Finance Director

Neven Madzharov
Supply Chain Director

Irena Brugger
Sales Director

Daphne Stavropoulou
Marketing Director

Gregor Rajšp
HR Director

Tanja Subotić Levanič
Corporate Affairs Director

Alenka Hočevar Gorenc
Legal Director

2.3 Final note from the Report of the Management of Pivovarna Laško Union d.o.o. on its relations with the controlling entity and its related companies pursuant to Article 545 of the Companies Act (ZGD-1)

THE MANAGEMENT OF THE COMPANY HEREBY DECLARES THAT IN 2020 THE COMPANY DID NOT FACE ANY DISADVANTAGES DUE TO BUSINESS TRANSACTIONS WITH THE CONTROLLING COMPANY AND ITS RELATED COMPANIES.

With respect to business transactions with the controlling company and its related companies conducted in 2020, the Management of Pivovarna Laško Union d.o.o. hereby declares that the company received adequate returns given the circumstances known to the company at the time when those transactions were executed, and has thus not faced any disadvantages.

In Ljubljana, on 31 May 2021

Zooullis Mina
Managing Director

Mirjam Hočevar
Finance Director

Neven Madzharov
Supply Chain Director

Irena Brugger
Sales Director

Daphne Stavropoulou
Marketing Director

Gregor Rajšp
HR Director

Tanja Subotić Levanič
Corporate Affairs Director

Alenka Hočevar Gorenc
Legal Director

A. Gorenc

2.4 Sales

Compared to 2019, the sales volume of PLU beer in 2020 on the domestic market decreased by 9.6 %. The global pandemic which brought about the closing of catering establishments and a decline in tourist activity for many months had the largest influence. The changed habits of customers influenced the category of waters and fruits beverages. Work from home and home-schooling as well as more careful planning of purchases especially influenced the reduced sale of 0.3 and 0.5 litre packagings.

The online platform Rundasekunda played an important role in 2020 since it offered safe delivery of beer and other beverages to consumers' homes during full lockdowns. This was also reflected in the very positive trend of sold quantities sold via the online platform.

In foreign markets, PLU achieved 11.8 % growth in the volume of beer sales compared to 2019 which were mostly due to operations with companies in the group. Most items were exported to the Western Balkans, Italy and Austria.

2.5 Quality and standards

At both business locations of PLU – Laško and Ljubljana – the company PLU was recertified in 2020 in accordance with the standards ISO 9001 and 14001, as well as according to the standard for safe foods IFS. Inspection audits (safe food audit) were conducted without any special deviations in 2020.

There were no complaints regarding product safety in 2020.

2.6 Investments

In total 32 projects were carried out in Ljubljana and Laško in 2020. In Ljubljana, the most important one was the upgrade of the can line by implementing a new sleek format for the cans, while in Laško, Heineken production project – 2nd phase (continuation of the 2019 project) being the most important.

2.7 Business performance analysis of Pivovarna Laško Union d.o.o.

a. NOTES TO THE STATEMENT OF FINANCIAL POSITION

In 2020, PLU generated EUR 145.6 in **net sales** at PLU, which is a 6.9 % decrease compared to 2019, mainly due to the COVID-19 epidemic which caused the lockdown of the HoReCa channel. The share of the net sales generated in foreign markets accounted for 32 % in 2020.

Other operating revenues in the amount of EUR 0.3 million decreased by 80 % compared to the previous year. The majority of these revenues came from revaluatory operating revenues arising from long-term assets in the amount of EUR 0.14 million and revenues arising from the removal of provisions in the amount of EUR 0.1 million.

PLU operating expenses and costs in the amount of EUR 124.5 million in 2020 were comparable to 2019. The cost of engaged services, the cost of depreciation, labour costs have declined while other operating costs, the cost of materials, and revaluatory operating expenses were higher than in 2019.

In 2020, PLU generated EBIT in the amount of EUR 22.4 million. The normalised EBIT, i.e. operating profit, increased or decreased by the impact of one-time business events, amounted to EUR 23.5

million. In 2020, EBITDA amounted to EUR 32 million, while normalised EBITDA amounted to EUR 33.2 million. Compared to the normalised EBITDA for 2019, it was lower by EUR 8.5 million.

Net profit in the amount of EUR 16.7 million declined by EUR 7.7 million compared to 2019. The normalised net profit for 2020 amounted to EUR 17.7 million, which is a EUR 6.3 million decrease compared to the normalised net profit in 2019.

b. CLARIFICATIONS REGARDING THE STATEMENT OF FINANCIAL POSITION

At the end of 2020, PLU assets amounted to EUR 234.8 million, which is a 9.3 % reduction to end of 2019.

Long-term assets in the amount of EUR 176.4 million declined by EUR 0.8 million compared to the end of 2019. Property, plant and equipment decreased by EUR 3.1 million. In 2020, the investments in electricity distribution companies in the amount of EUR 5.6 million were transferred from short-term financial investments to long-term financial investments, and have sold the investment into the subsidiary Vital Mestinje, d.o.o. Deferred tax assets declined by 9.6 % compared to 2019.

Current assets in the amount of EUR 58.4 mio decline at the end of 2020 by 28.5 % compared to the end of the previous year, mainly due to a decrease in cash, receivables from domestic customers and the transfer of available-for-sale financial assets to long-term financial investments.

Capital of the company in the amount of EUR 62.6 million decreased by 11.2 % or EUR 7.9 million compared to 2019. The bulk of changes of capital is represented by net profit or loss of the current year and the dividends payment.

As at 31 December 2020, the total **financial liabilities** of the company PLU amounted to EUR 101.5 million. Compared to the end of 2019, liabilities decreased by EUR 40.2 million mainly due to the repayment of the loan to the controlling company. The net indebtedness as at the last day of 2020, calculated as a difference between all of the financial investments into shares and equity interest, loans granted, and cash and all of the financial liabilities, amounts to EUR 72.8 million. The surplus of short-term liabilities over short-term assets amounts to EUR 13.3 million.

Total **business liabilities** at the end of 2020 amounted to 62.6 million EUR, an increase of 56.3 %.

c. SIGNIFICANT EVENTS IN 2021

The most important event post 31 December 2020 was the gradual reopening of bars, restaurants, hotels and other catering establishments which have been closed since autumn 2020 due to measures by the Government of the Republic of Slovenia to tackle the spread of the COVID 19 virus. Since May 2021, the sale through the HORECA sales channel (hotels, restaurants, catering) is being revived.

Until 12 January 2021, the management was based on a two-tier system, according to which the company is managed by the Management, while the Supervisory Board oversaw its operations. Until 12 January 2021, the company’s bodies included the Founder, which constituted the General Meeting, the Supervisory Board, and the Management of the company.

There were no other significant events after 31 December 2020.

2.8 Risk management

The risk management process is a part of the structure and is constantly included in daily activities and in the adoption of important decisions. Identifying and assessing risk as well as developing activities to eliminate or manage them are significant tools which help the company achieve the set goals and protect it and its reputation.

Within the scope of identifying and assessing the risks to which the company is exposed, we are planning and carrying out relevant activities. The identified risks are managed and monitored through a risk register, which is regularly updated. A custodian and the activities for risk elimination or the management of potential negative effects on company operations are defined for every identified risk. In order to manage risks, PLU uses detailed analyses, both in the strategic field as well as in the field of fraud.

During the coronavirus pandemic, the company carefully examined the emerging risks, changes to the integrated perspective of risks and a possible increase in risks of fraud, as well as the implemented required responses to reduce the impact on risks. By using corporate tools activities are carried out on a quarterly basis. After identifying and assessing the risks, the activities for eliminating or managing the risks are monitored, another review is carried out, and key risks are prioritised, and the risk exposure status, which is also a part of the meeting at the end of the year is confirmed.

2.8.1 BUSINESS RISKS

The year was largely defined by the global coronavirus pandemic. The virus had a negative impact on the macroeconomic development, and had great consequences for public health, social distancing and the adoption of restrictive measures. Strict measures to halt the spread of the coronavirus on the global scale and in Slovenia cause a drastic decline in economic activity due to the suspension of non-essential business operation and hampered activities for other services. The decline of the total economic activity was exacerbated by the decline in the added value of most activities; based on forecasts, the decline is the worst in catering, recreational, sports, cultural and personal services, as well as in hotel accommodation services. The pandemic and governmental measures had a significant impact on our markets and business activities. The decline in product sales to caterers and distributors was followed by adjusting the production.

The safety of employee was our primary mission. By adopting safety measures, the company ensured the health of employees, reduced the risk of infection in the workplace, and ensured continued business operations of the company. The company kept in touch with its business partners and acted in the interest of continued cooperation, offering help through donations and other forms of social assistance.

PLU acts in accordance with the law and internal values with integrity, honesty and by respecting all stakeholders and our common planet. Strict quality standards and respecting the Code of Business Conduct help implementing the commitment in practice and is key for the protection of the company and people, maintaining success, reputation and operating permits.

2.8.2 OPERATING RISKS

Operating risks are essential for the performance of business processes and the management of consumption and expenses. Within the framework of operating risks, risks related to the production process are mainly monitored. These risks comprise mainly of the risk of breakdowns at the bottling lines and its associated equipment, and can also mean production downtime. The mitigation of such risks, the uninterrupted operation of lines and equipment is mainly assured through high quality maintenance, regular overhauls, and partially by replacing worn or old equipment with new investments.

A high risk of changes of all types of regulations, rules and legislation is defined as regulatory risk, which refers to our business operations in both the domestic as well as foreign markets. Without doubt these changes have a significant impact on our company's business activities. This especially refers to legislation in the field of food production, consumer health (sugar tax, environmental legislation), introduction of environmental tax, Water Act – concessions, regulations related to packaging, excise fees and tax legislation. Such risks are managed by separating duties for specific areas.

2.8.3 FINANCIAL RISKS

In the field of financial risks the most important risks for the company PLU include credit risk, risk of reduction of the fair value of tangible fixed assets financial investments, and liquidity risks. On 31 December 2020 the company PLU recorded a surplus of current liabilities (including accrued and deferred assets) over current assets (including accrued and deferred income) in the amount of EUR 13.3 million. This was due to unpaid temporary dividends for the year 2019.

Liquidity risk is managed by regularly implementing liquidity management policy which includes the planning of expected cash expenditure and adequate cash income on an annual and monthly basis. The company estimates that the exposure to liquidity risk is manageable.

Credit risks include all risks which influence the reduction of the economic benefits of the company due to insolvency of our business partners and their failure to fulfil their contractual obligations. Due to this the company regularly supervises and monitors the financial receivables from our customers, both wholesalers, as well as retail customers, and puts in place the procedures for the management of receivables, expedites the collection of debt with written reminders and phone calls, as well as on-the-spot collection of debt and legal collection of debt. The receivables are partially insured with bank guarantees, mortgages, and bills of exchange. Business operations with customers with poor credit rating is carried out on the basis of advance or immediate payments in order to avoid the risk of non-payment for the sold goods to a certain degree.

Due to the measures of the Government of the Republic of Slovenia aimed at preventing the spread of the COVID-19 virus, the buyers from the HORECA sales channel were temporarily forced to stop their activities which had a significant impact on the repayment of receivables and an increased credit risk. In the given situation, the management of the company carefully evaluated the repayability of outstanding receivables and additionally (as a precaution) for revalued receivables in the HORECA channel.

The interest rate risk is low and it is related to the received long-term loan from our new owner Heineken International, B.V., Amsterdam. The loan was received at a fixed interest rate. The company has no other outstanding loans. Also, the interest rate risk for leases is low.

3. SUSTAINABLE DEVELOPMENT

3.1 Human Resources Management in Pivovarna Laško Union d.o.o.

Our commitment to quality, the enjoyment of life, the respect for people and our planet are key values of PLU, which we persistently and carefully foster, live out, and develop at our company. We advocate them as a corporate citizen, a business partner, and an employer.

We greatly emphasize the dedication of our employees and a modern management method and we also encourage good interpersonal relationships. We build on trust, respect, and sustainable actions. The values are supported through the behaviors that the company encourages and strengthens:

- let us put safety first;
- let us act as responsible entrepreneurs;
- let us build cooperation on trust;
- let us give priority to support over control;
- let us keep things simple;
- let us learn, so we can achieve progress.

3.1.1 CONCERN FOR EMPLOYEE SATISFACTION IN 2020

Growth is one of our guiding principles in business. It must also be supported by the growth of employees. Therefore, we show our concern for them with the highest degree of responsibility. In PLU, we ensure the career development and personal development of our employees and we constantly strive to be one of the most desirable employers in the country and the region.

Key activities related to concern for employees in 2020 were linked with ensuring safe working conditions and managing new forms of work (teleworking). At the same time, there was a concern to focus on key development programmes. 40 key leaders continued the development of their managerial, business and leadership skills in the programme "Grow" which is being carried out with the partner IEDC Bled School of Management. A special programme for the development of sales skills, appropriate behavior and leadership skills was carried for key sales personnel. 30 employees received group and individual coachings as part of this programme. We continue to strengthen key expert skills and competencies in other parts of the company.

A study on the company climate was carried out in 2020 for the fifth time. 92% of the employees participated in the survey. We recorded an improvement in dedication. We would like to improve it even further; therefore, on the basis of employee workshops, a new action plan was devised, which will be carried out for the next year in order to address key topics that will additionally improve employee dedication. In 2020, we had some additional smaller surveys to get a better sense of what employees need in these very difficult times. Survey results recorded a very positive response and an excellent assessment of the internal communication and climate during the corona crisis. Most of employees felt that the management had done everything to retain jobs and continue with out business operations and that we adopted correct safety and health measures. Most agreed that the communication of the management was efficient and timely. An extremely important indicator is the fact that 60% of employees felt completely or very calm during these times.

The employees at PLU were provided certain benefits in 2020 as well. These included: the payment of a premium for complementary pension insurance for all employees for an indefinite period, the possibility of using company holiday facilities (limited due to COVID-19 measures), and if employees have social or health problems, they are eligible to receive solidarity aid. Two virtual joint gatherings with the management were organised for company employees. These gatherings are used to strengthen information exchange, inclusion, and dialog. The New Year's gathering of all employees was not organised due to exceptional circumstances (C-19), however, employees and their children received presents nonetheless.

Social dialog is also important for successful, transparent, and sustainable operations. There are a Workers' Council and two representative unions within the company. There are regular dialog and consultations with all stakeholders with regard to organizational, personnel, and other issues and decisions that are significant in terms of business. Regular information exchange on the status of employees and COVID-19 related measures was organised with social partners on a weekly basis.

3.1.2 HUMAN RESOURCE MANAGEMENT IN 2020

a. Number of employees according to employee agreement type

At the end of 2020, PLU had 567 employees (compared to 585 at the end of 2019). 96.4 % of these were employed for an unspecified period and 3.6 % for a specified period. The proportion of employees under a collective bargaining agreement remains at the same level as in previous years, i.e. 95 %.

b. Diversity and inclusion

The average age of employees at the end of 2020 was 44 years. A transparent employment and selection procedure has been established at the company PLU, according to which candidates are selected pursuant to criteria determined beforehand and connected to competences, skills, education, and relevant experience. All criteria take into consideration the job classification system at the company. This is how the company is implementing the principles of diversity, equal opportunities, and fair treatment. At the end of 2020, the proportion of women among the employees was 31 %. The proportion of women in company management is 50 %.

The diversity is also evident in the age and generational structure. Baby Boomers account for 11 %, Millennials 33 %, and Generation X 56 % of all employees. The proportion of women in senior and medium management makes up for 58 % and the proportion of employees from other countries 0.5 %.

c. Absenteeism and fluctuation

The proportion of sick leave in 2020 was 4.83 %. The fluctuation was 11.5 %.

d. Communication with employees

In 2020, much attention was also devoted to internal communication. Therefore, the company began issuing a quarterly PLUS magazine, a monthly PLUS newsletter, and to skillfully use the Workplace internal social network. During the first and second wave of the epidemic, PLU issued weekly information which included internal and external key information.

3.2 Safety and health at work

In 2020, PLU carried out the following activities on the basis of legislation and Heineken's standards regarding health and safety at work and fire safety.

3.2.1 SAFETY AT WORK

- All events were reported to the 12Rules reporting system. In 2020, a total of **572** hazardous events were treated.
- The number of serious accidents was reduced from **3**, which occurred in 2019, to **0**.
- Suitable personal protective equipment was provided to employees in line with their risk assessment. In hazardous areas with goods vehicles, the wearing of protective helmets was introduced.
- By implementing various actions, the company managed to reduce the presence of pedestrians by **70** % in all hazardous areas where the hazardous footpaths and paths for goods vehicles cross.
- On roofs, which pose a great fall hazard, we installed railings and safeguards protecting people from falling.
- Evacuation drills in the event of a fire was carried out in all locations. Furthermore, a drill in the event of the emission of hazardous gases (CO_2, NH_3) was also carried out. At our Laško and Union locations, a fire drill was carried out in cooperation with local fire-fighting units.
- Furthermore, inspection of manual fire extinguishers and hydrants with all required measurements was performed.

3.2.2 EMPLOYEE EDUCATION

- All of our new employees, seasonal workers, students, and employees whose certificates had expired were trained in safety and health at work and fire safety.
- The training was carried out on the basis of Heirules (safe work with forklifts, LOTO procedures, road safety, etc.).
- External contractors were properly trained and informed of the relevant rules before the start of their work.

3.2.3 MEDICAL EXAMINATIONS

- Pursuant to the legislation of the Republic of Slovenia, the employees underwent regular and periodical medical examinations performed by a physician specializing in occupational and sports medicine.
- At the first medical examination, drug testing was introduced.
- All pupils and students working at PLU were also subjected to medical examinations.

3.2.4 WORKING EQUIPMENT INSPECTION

- A safety inspection of the working equipment was carried out regularly, pursuant to the instructions regarding safety at work. Authorised companies once again inspected the working equipment for which the inspection deadline had expired.
- A Machine Safety inspection was performed by an authorized company at both locations. The implementation of LOTO procedures (lock out-tag out) was continued and non-compliance on hazardous machines was eliminated.

3.2.5 LOGISTICS AND ROAD SAFETY

- Telemetry was installed in all of the 153 vehicles used by the company PLU.
- The walkways in breweries at both locations are now protected with additional protective and reflective fencing which ensure better safety of pedestrians against the collision with goods vehicles.

- The company PLU prepared a test area for driving skills, where forklift drivers could improve their theoretical and practical knowledge of forklift operation.

3.2.6 PROMOTION OF HEALTH AT WORK

A programme based on mutual work and efforts to improve the health and well-being in the workplace was implemented as part of the promotion of health at work. It combines four pillars of well-being, i.e. physical health, proper nutrition, prevention and mental health. The programme includes various actions such as Let's Go to the Mountains, blood donation campaign, anti-stress workshops and other sports activities.

3.3 Sustainable operations – Brewing for a Better Slovenia

PLU has an important mission in the field of sustainability and social responsibility. In addition to successful operations, it also contributes to the better quality of life of the society at large and of the local environment in which it operates.

PLU shows its responsibility towards the community and the environment by carrying out the Brewing for a Better World sustainable strategy. We structured our sustainable goals and efforts into six key areas, which are connected to 17 sustainable development goals of the United Nations Organisation. In doing so, we focus on health and safety, protecting drinking water sources, reducing CO_2 emissions, cooperation with the community, sustainable supply and responsible drinking.

In 2020, we continued to pursue our set goals in the field of sustainable operations. The company recorded excellent achievements in all areas, while the selected good practices are presented as follows.

RESPONSIBLE DRINKING

Pivovarna Laško Union is enhancing its role in raising awareness concerning responsible drinking by forming partnerships with organisations, which work with us to support a responsible attitude towards alcohol consumption. In participation with the Alpine Association of Slovenia and the Mountain Rescue Association of Slovenia, the 11th seasons of the project Let's Go to the Mountains was carried out. With sports ambassadors, PLU aims to enforce the message of responsible choice through various channels and in spreading the mindset to everyone, from athletes to fans. PLU is further emphasising responsible drinking by releasing the non-alcoholic beer Laško Zlatorog 0.0 %

Peter Prevc became the face of the Laško Zlatorog 0.0 % brand during the FIS World Ski Flying World Championship »Planica 2020« who advertised the message »Planica is about sports and not alcohol« on billboards across Slovenia. In cooperation with the Firefighting Association of Slovenia, the trademark Union supported the digital campaign of raising awareness about responsible drinking in December. Responsible drinking lies at the heart of the Heineken brand which was confirmed in 2020 with two campaigns: »Never drink when you drive« and »Enjoy responsibly even when you're not on the road«. All PLU products are labelel with information on ingredients and nutritional values, which includes a clearly stated alcohol content. All information is available to consumers on the packaging and online.

REDUCING CO_2 EMISSIONS

Most activities related to reducing CO_2 emissions in 2020 were performed in the field of packaging materials and reducing electrical energy consumption. PLU is continuing to use green energy in the field of cooling. We are increasing the share of renewable energy sources by using innovative technological solutions and participating with suppliers. A lot of attention is paid to the effectiveness of thermal and electrical energy in production processes.

The indicator of the share of green refrigerants increased from 62 % to 67 % compared to the previous year. 100 % of the purchased equipment uses green refrigerants. Using these measures enables devices to use electricity economically and reduces emissions to air.

Due to thermally insulated technological equipment, Pivovarna Laško reduced thermal losses. By optimizing and upgrading the system of hot water generation in the production of beer, the company reduced electricity consumption.

Pivovarna Union optimised the operation of the air compressor which is used for inflating bottles. The consumption of electricity was thus reduced by 50 MW per year. In the cleaning of industrial waste water, 886,741 m^3 of biogas was produced, representing the greatest amount since the commissioning of the wastewater treatment plant in Pivovarna Laško. It is used in the brewery for heat generation required in production processes.

PLU further upgraded the system of separate collection of waste and waste packaging which is generated in production processes, thus increasing the share of recycled waste to more than 99 %. The company sold the entire quantity of beer brewing residue to farmers as animal feed. By removing the back labels from the bottles of Laško and Union beer, the company successfully reduced its annual paper consumption by 27 tons.

COOPERATING WITH THE COMMUNITY

PLU advocates dialogue with its stakeholders. Such imprint is most visible through sponsorships and donations, as Pivovarna Laško union allocates a total of approximately EUR 3 million annually for sport and culture. During the coronavirus pandemic, the company focused on the aid for the most vulnerable groups, such as Civil Protection Service and healthcare workers.

PLU responded to the initiative of the Economic Circle »In Solidarity Together«, within the framework of which, PLU equipped 40 pupils from Celje, Žalec and Maribor from socially less advantaged families with computer tablets to facilitate easier home-schooling. Employees at PLU and sponsees of the Laško trademark with other athletes from Slovenia performed more than 1,250 hours of volunteer work in the hop fields in the Savinja Valley.

The trademark Union is successfully participating with volunteer fire brigades which require funds for the purchase of equipment to intervene in the event of danger. All volunteer fire brigades in Ljubljana West were supported with a donation in 2020.

The trademark Laško participated with the humanitarian organisations SOS telefon and the Association for Nonviolent Communication in the project Let's Go to the Mountains. The aim was to emphasise helping people who are experiencing violence and want to get away from it. Additionally, it raises awareness of the need to prevend violence in our society and to spread the principles of non-violent communication.

The trademark Union participated in the hackathon organised by the Center of Energy Efficient Solutions and challenged participants to find solutions in the areas of responsible alcohol consumption, gender equality, and inclusion.

HEALTH AND SAFETY

In the field of health and safety, PLU provides 100 % compliance with global Heineken Life Saving Rules, which is achieved through regular employee training and by visibly raising awareness at all of our business locations. These measures improve the state of safety and health at work. Compared to 2019, in 2020 the indicator "share of absent employees due to injury or health-related issues" was reduced from 0.49 to 0.35.

The company is continuing to implement the HEINEKEN standard for improving safety and health at work and reducing safety risks for accidents at work. To ensure the health of employees, more than 120 measures have been implemented. Thus, PLU ensures an even safer working environment for its employees in production. Online workshops on mental health and finding a work-life balance have also been organised.

PLU, as a socially responsible company, pay attention to the need of the community and the environment and monitors trends in the field of nutrition and active lifestyle on a regular basis. With the ever increasing importance of quality and makeup of food, the trends are shifting from implementing sugar substitutes to development of innovative products with less or no added sugar. The offer of non-alcoholic beverages consists of more than 40 % of products with less or no added sugar. On the front side of products by trademarks Sola and Zala, consumers can find information on energy content of beverages. By implementing such products, PLU gives its consumers an extensive freedom of choice.

PROTECTING SOURCES OF DRINKING WATER

Water is extremely significant for PLU as well. For this reason, we carry out numerous activities in the field of protecting water sources. Since we were granted concession in 2005, PLU has been regularly monitoring the quality of underground water sources in the general area of the Pivovarna Union brewery in Ljubljana. Results and reports are shared with the local community, and based on them efficient measures and an action plans for the conservation of the water source are drafted.

In 2020, the PLU was able to reduce its annual water consumption by 8 %. Pivovarna Union upgraded its water recovery process. By implementing improvements, the annual industrial fresh water consumption was reduced by 10,000 m^3. By implementing all project, Pivovarna Laško reduced the industrial fresh water consumption by 35.000 m^3.

SUSTAINABLE SUPPLY

PLU supports the development of a sustainable supply chain, as it is of key importance for the sustainable growth of our operations and risk management. In order to manufacture Laško Zlatorog beer, 100 % Slovenian hops are used. Additionally, in 2020 the production used 200 tons of barley grown in Slovenia. The company complies 100 % with HEINEKEN standards in regards to the supply chain. All suppliers have signed a document confirming that they meet high standards in their business operations and respect of human rights.

PLU transfers its care of the environment and the values of the company also to its products. In 2020, it was the first time that PLU used Slovenian hops and honey made by bees from its own apiary near Pivovarna Laško to bottle a limited series honey beer - Laško Medeno. In 2020, drafting of a new sustainable strategy has begun on a global scale. It will be introduced in April 2021 and will include goals until 2030.

4. FINANCIAL REPORT OF PIVOVARNA LAŠKO UNION D.O.O.

4.1 Statement of compliance

The Management Board of Pivovarna Laško Union d.o.o. is responsible for the preparation of the annual report and financial statements that give a fair presentation of the financial position and the results of operations of the company Pivovarna Laško Union d.o.o. in accordance with the International Financial Reporting Standards adopted by the European Union, and the Companies Act.

The Management Board of Pivovarna Laško Union d.o.o. hereby gives its approval to the business report and the financial statements for the year ended on 31 December 2020 and states the following:

- the financial statements have been compiled under assumption of Pivovarna Laško Union d.o.o. being able to continue its operations in the future;
- the appropriate accounting policies were consistently applied and any changes thereof have been disclosed;
- the accounting estimates have been prepared in a fair and diligent manner and comply with the principle of prudence and good management.

The Management Board is responsible for the implementation of measures to ensure the maintenance of the value of the assets of the company and for the prevention and detection of fraud and other irregularities.

The tax authorities may, within 5 years after the year in which the tax should have been levied, inspect the activities of the company. This may result in additional liabilities for tax, default interest and penalties relating to corporate income tax or other taxes and duties. The Management Board of Pivovarna Laško Union d.o.o. is not aware of any circumstances that could give rise to a potential material liability in this respect.

Ljubljana, 31 May 2021

Pivovarna Laško Union d.o.o.

Zooullis Mina
Managing Director

Mirjam Hočevar
Finance Director

Neven Madzharov
Supply Chain Director

Irena Brugger
Sales Director

Daphne Stavropoulou
Marketing Director

Gregor Rajšp
HR Director

Tanja Subotić Levanič
Corporate Affairs Director

Alenka Hočevar Gorenc
Legal Director

4.2 Independent Auditor's Report

Deloitte revizija d.o.o.
Dunajska cesta 165
1000 Ljubljana
Slovenia
VAT ID: SI62560085
Tel: +386 (0) 1 3072 800
Fax: +386 (0) 1 3072 900
www.deloitte.si

INDEPENDENT AUDITOR'S REPORT
to the owners of Pivovarna Laško Union d.o.o.

Opinion
We have audited the financial statements of the company Pivovarna Laško Union d.o.o. (hereinafter 'the Company'), which comprise the statement of financial position as at 31 December 2020, and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter 'IFRSs').

Basis for Opinon
We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in *the Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other information
Management is responsible for the other information. The other information comprises the information, included in Annual report, other than the financial statements and our auditor's report thereon.
Our opinion on the financial statements does not cover the other information and we express no assurance thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, assess whether the other information is materially inconsistent with the financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be

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materially misstated. If based on our work performed we conclude that other information include material misstatement we need to report such circumstances.
In relation to this and based on our procedures performed, we report that:

- Other information are, in all material respects, consistent with the financial statements;
- Other information are prepared in compliance with applicable law or regulation; and
- Based on our knowledge and understanding of the Company and its environment obtained in the audit, we did not identify any material misstatement of fact related to the other information.

Responsibilities of Management and those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, management is responsible for assessing its ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Company's financial reporting process and for approving audited annual report.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing rules will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing rules, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going

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concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence concerning the financial information of the entities or business activities within the Company in order to express an opinion on the financial statements. We are responsible for conducting, overseeing and performing the audit of the Company. We have sole responsibility for the audit opinion expressed.

With those Charged with Governance we communicate the planned scope and timing of the audit and significant findings from the audit, including deficiencies in internal control we have identified during our audit.

DELOITTE REVIZIJA d.o.o.

Katarina Kadunc
Certified auditor

For signature please refer to the original Slovenian version.

Deloitte.
DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija 3

Ljubljana, July 8 2021

TRANSLATION ONLY, SLOVENE ORIGINAL PREVAILS

4.3 Financial statements of Pivovarna Laško Union d.o.o. for the business year 2020 in accordance with IFRS

4.3.1 STATEMENT OF FINANCIAL POSITION OF THE PIVOVARNA LAŠKO UNION D.O.O. AS AT 31 DECEMBER 2020

in EUR	Explanatory note	2020	2019
ASSETS			
Non-current assets		**176,404,784**	**177,222,825**
Intangible assets and other longterm assets	*1*	63,011,572	62,882,094
Tangible fixed assets	*2*	85,317,165	88,394,475
Long-term investments	*3*	6,227,967	1,989,034
Long-term operating liabilities	*4*	2,091,412	2,110,574
Deferred tax assets	*5*	19,756,668	21,846,648
Non-current assets		**58,419,501**	**81,670,531**
Inventories	*6*	10,580,902	9,513,966
Short-term investments	*7*	0	5,858,767
Short-term receivables	*8*	24,971,588	31,418,637
Cash assets	*9*	22,473,305	34,771,969
Other non-current assets	*10*	393,706	107,192
TOTAL ASSETS		**234,824,285**	**258,893,357**

The accounting policies and notes form an integral part of these financial statements and should be read in conjunction with them.

STATEMENT OF FINANCIAL POSITION OF THE PIVOVARNA LAŠKO UNION D.O.O. AS AT 31 DECEMBER 2020 (continued)

in EUR	Explanatory note	2020	2019
LIABILITIES			
Capital	*11*	**62,571,910**	**70,460,852**
Share capital		36,503,305	36,503,305
Capital reserves		993,654	993,654
Profit reserves		3,650,331	3,650,331
Fair value reserve		4,510,620	4,622,427
Net profit or loss for the previous years		262,537	302,513
Net profit or loss for the year		16,651,463	24,388,622
Provisions and other long-term liabilities	*12*	**6,934,447**	**6,250,467**
Provisions for retirement grants and jubilee awards		3,615,335	3,518,798
Other provisions		3,164,419	2,594,904
Other long-term liabilities		154,693	136,765
Long-term liabilities		**93,601,682**	**143,791,841**
Long-term financial liabilities	*13*	90,496,856	140,539,166
Long-term operating liabilities	*14*	3,104,826	3,252,675
Current liabilities		**71,716,246**	**38,390,197**
Short-term financial liabilities	*15*	11,031,920	1,147,790
Short-term operating liabilities	*16*	59,518,500	36,809,618
Other current liabilities	*17*	1,165,826	432,789
TOTAL EQUITY AND LIABILITIES		**234,824,285**	**258,893,357**

The accounting policies and notes form an integral part of these financial statements and should be read in conjunction with them.

4.3.2 INCOME STATEMENT OF THE PIVOVARNA LAŠKO UNION D.O.O. FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2020

in EUR	Explanatory note	2020	2019
Net sales revenue	*18*	145,617,324	156,491,573
Change in inventories of products and work in progress		946,539	-780,961
Other operating income	*19*	292,873	1,467,501
Total operating revenue		**146,856,736**	**157,178,113**
Costs of goods, materials and services	*20*	-85,347,128	-87,188,477
Personnel costs	*20*	-23,273,998	-24,851,097
Depreciation of intangible non-current and intangible fixed assets	*20*	-9,676,303	-10,228,823
Revaluation operating expenses	*20*	-2,068,012	-932,399
Provisions appropriation	*20*	-176,431	0
Other operating charges	*20*	-3,958,661	-2,164,646
Operating profit or loss		**22,356,203**	**31,812,671**
Financial revenues	*21*	1,244,332	848,697
Financial expenses	*21*	-2,955,473	-3,627,032
Pre-tax result		**20,645,062**	**29,034,337**
Income tax	*22*	-1,924,245	-1,996,412
Deferred taxes	*5*	-2,069,354	-2,649,303
NET PROFIT OR LOSS FOR THE ACCOUNTING PERIOD		**16,651,463**	**24,388,622**

The accounting policies and notes form an integral part of these financial statements and should be read in conjunction with them.

4.3.3 STATEMENT OF OTHER COMPREHENSIVE INCOME OF THE PIVOVARNA LAŠKO UNION D.O.O. FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2020

in EUR	2020	2019
Net profit or loss for the accounting period	**16,651,463**	**24,388,622**
Unrealised actuarial gains/losses from redeployment benefits	108,558	-325,481
Deferred taxes for unrealised actuarial gains/losses	-20,626	61,841
TOTAL OTHER COMPREHENSIVE INCOME THAT WILL NEVER BE RECLASSIFIED TO PROFIT OR LOSS	**87,932**	**-263,640**
OTHER COMPREHENSIVE INCOME	**87,932**	**-263,640**
TOTAL COMPREHENSIVE INCOME	**16,739,395**	**24,124,982**

The accounting policies and notes form an integral part of these financial statements and should be read in conjunction with them.

4.3.4 STATEMENT OF CHANGES IN EQUITY OF THE PIVOVARNA LAŠKO UNION D.O.O. FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2020

in EUR	Share capital	Capital reserves	Legal reserves	Fair value reserve	Net operating result from previous years	Net operating result	TOTAL EQUITY
Closing balance on 31 December 2019	**36,503,305**	**993,654**	**3,650,331**	**4,622,427**	**302,513**	**24,388,622**	**70,460,852**
Transfer of net result 2019	0	0	0	0	24,388,622	-24,388,622	**0**
Opening balance on 1 January 2020	**36,503,305**	**993,654**	**3,650,331**	**4,622,427**	**24,691,135**	**0**	**70,460,852**
Distribution of profits to owners (transfer to short-term operating liabilities)	0	0	0	0	-24,691,135	0	**-24,691,135**
Total transactions with owners	**0**	**0**	**0**	**0**	**-24,691,135**	**0**	**-24,691,135**
Net profit or loss for the year	0	0	0	0	0	16,651,463	**16,651,463**
Surplus from revaluation of tangible fixed assets	0	0	0	-246,591	246,591	0	**0**
Changes related to the actuarial calculation	0	0	0	108,558	0	0	**108,558**
Taxes related to specific items of comprehensive income – PPE	0	0	0	46,852	-46,852	0	**0**
Taxes related to specific items of comprehensive income – actuary	0	0	0	-20,626	0	0	**-20,626**
Changes of comprehensive income in 2020	**0**	**0**	**0**	**-111,807**	**199,739**	**16,651,463**	**16,739,395**
Other	0	0	0	0	62,799	0	**62,799**
Total changes in equity in 2020	**0**	**0**	**0**	**0**	**62,799**	**0**	**62,799**
Closing balance on 31 December 2020	**36,503,305**	**993,654**	**3,650,331**	**4,510,620**	**262,537**	**16,651,463**	**62,571,910**

The accounting policies and notes form an integral part of these financial statements and should be read in conjunction with them.

4.3.5 STATEMENT OF CHANGES IN EQUITY OF THE PIVOVARNA LAŠKO UNION D.O.O. FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019

in EUR	Share capital	Capital reserves	Legal reserves	Fair value reserve	Net operating result from previous years	Net operating result	TOTAL EQUITY
Closing balance on 31 December 2018	**36,503,305**	**993,654**	**3,650,331**	**5,097,457**	**3,035,430**	**20,292,817**	**69,572,994**
Transfer of net result 2018	0	0	0	0	20,292,817	-20,292,817	**0**
Opening balance on 1 January 2019	**36,503,305**	**993,654**	**3,650,331**	**5,097,457**	**23,328,247**	**0**	**69,572,994**
Payments to owners	0	0	0	0	-23,328,247	0	**-23,328,247**
Non-paid dividends under the statute of limitation	0	0	0	0	72,915	0	**72,915**
Total transactions with owners	**0**	**0**	**0**	**0**	**-23,255,332**	**0**	**-23,255,332**
Net profit or loss for the year	0	0	0	0	0	24,388,622	**24,388,622**
Surplus from revaluation of tangible fixed assets	0	0	0	-260,975	260,975	0	**0**
Changes related to the actuarial calculation	0	0	0	-325,481	0	0	**-325,481**
Taxes related to specific items of comprehensive income – PPE	0	0	0	49,585	-49,585	0	**0**
Taxes related to specific items of comprehensive income – actuary	0	0	0	61,841	0	0	**61,841**
Changes of comprehensive income in 2019	**0**	**0**	**0**	**-475,030**	**211,390**	**24,388,622**	**24,124,982**
Other	0	0	0	0	18,208	0	**18,208**
Total changes in equity in 2019	**0**	**0**	**0**	**0**	**18,208**	**0**	**18,208**
Closing balance on 31 December 2019	**36,503,305**	**993,654**	**3,650,331**	**4,622,427**	**302,513**	**24,388,622**	**70,460,852**

The accounting policies and notes form an integral part of these financial statements and should be read in conjunction with them.

4.3.6 CASH FLOW STATEMENT OF THE PIVOVARNA LAŠKO UNION D.O.O. FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2020

in EUR	Explanatory note	2020	2019
OPERATING PROFIT OR LOSS		**22,356,203**	**31,812,671**
ADJUSTMENTS FOR:			
Elimination of other operating revenue		-54,307	-615,691
Elimination of revaluation operating expense from PPE		187,168	197,958
Depreciation of PPE and investment property		9,515,064	10,006,504
Depreciation of intangible assets		161,239	222,318
Revaluation operating expenses from non-current assets		2,116,295	734,441
Net movements in provisions		-1,075,059	-1,519,398
Other adjustments		464,252	-208,209
TOTAL ADJUSTMENTS		**11,314,652**	**8,817,923**
MOVEMENTS IN WORKING CAPITAL:			
Inventories and non-current assets held for sale		-1,844,734	541,539
Operating and other receivables		5,075,637	-3,536,773
Operating and other liabilities		-721,921	3,373,428
Total movements in working capital		**2,508,982**	**378,195**
NET CASH FLOWS FROM OPERATING ACTIVITIES		**36,179,838**	**41,008,788**
CASH FLOWS FROM INVESTING ACTIVITY:			
Acquisition of tangible fixed assets		-6,651,475	-11,504,592
Acquisition of intangible assets		-290,717	-33,169
Acquisition/disposal of financial assets		1,247,490	7,534
Interest income		1,450	3,974
Dividends received and capital gains		472,219	511,240
NET CASH FLOW FROM INVESTING ACTIVITY		**-5,221,032**	**-11,015,013**
CASH FLOWS FROM FINANCING ACTIVITY:			
Interest paid		-2,551,308	-3,501,610
Increase/decrease in financial debt		-40,000,000	-30,810,259
Lease payments		-706,162	-685,522
Payments to owners		0	-23,328,247
NET CASH FLOW FROM FINANCING ACTIVITY:		**-43,257,470**	**-58,325,638**
NET INCREASE/DECREASE OF CASH AND CASH EQUIVALENTS		**-12,298,664**	**-28,331,862**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**34,771,969**	**63,103,831**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	*9*	**22,473,305**	**34,771,969**

The accounting policies and notes form an integral part of these financial statements and should be read in conjunction with them.

4.3.7 DISCLOSURE OF DISTRIBUTABLE PROFIT AND PROPOSAL FOR ITS ALLOCATION

As at 31 December 2020, the distributable profit amounted to EUR 16,914,000 and consists of net operating profit in the amount of EUR 16,651,463 and net profit or loss for the previous years in the amount of EUR 262,537.

The Management proposes that all distributable profit is used for the payment to the owner.

4.4 Notes to the financial statements

4.4.1 GENERAL DATA

Pivovarna Laško is registered with the Celje District Court under the decision No SRG 2016/28597 and under the application No. 1/00171/00. It is classified as a large company and is as such subject to regular annual audits. The principal activity of PLU is the production and sale of beer, non-alcoholic beverage, waters, wholesale and retail trade.

The headquarters of the company is located at:
Pivovarniška ulica 2, 1000 Ljubljana, Slovenia.

Since the takeover by the Heineken Group (15 October 2015), Pivovarna Laško Union d.o.o. has been controlled by the company Heineken International, B.V.

Pursuant to the sixth paragraph of Article 56 of the Companies Act (ZGD-1), Pivovarna Laško Union d.o.o. is not required to issue consolidated financial statements since it is included in the consolidated accounting statements of the controlling company Heineken International, B.V., with registered office at Tweede Weteringplantsoen 21, 1017 ZD Amsterdam, which holds a 100% interest in the company, and since the financial impact of all subsidiaries (Vital Mestinje, d.o.o., Laško Grupa Kosovo Sh.p.k. and PLU Online, d.o.o.) were individually and collectively negligible. The annual report of the controlling company in the Netherlands is publicly accessible at "www.theheinekencompany.com".

4.4.2 STATEMENT OF COMPLIANCE WITH IFRS

Financial statements of Pivovarna Laško Union d.o.o. have been drawn up in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, including the guidelines adopted by the International Financial Reporting Interpretations Committee (IFRIC), and the provisions of the Companies Act.

4.4.3 USE OF NEW AND AMENDED IFRS AND IFRIC INTERPRETATIONS

a. Initial use of new changes to existing standards that apply in the current reporting period

In the reporting period, the following amendments to the existing standards issued by the International Accounting Standards Board (IASB) apply, as adopted by the EU:

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – definition of Essential, as adopted by the EU on 29 November 2019 (effective for annual periods beginning on 1 January 2020 or later),

- **Amendments to IFRS 3 "Business Combinations"** – Definition of a business entity as adopted by the EU on 21 April 2020 (effective for business combinations where the acquisition date is equal to the start date of the first annual reporting period beginning on 1 January 2020 or later, and the acquisition of assets that occur at the beginning this period or after),

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Recognition and measurement" and IFRS 7 "Disclosures"** – reform of reference interest rates as adopted by the EU on 15 January 2020 (applicable to annual periods starting on 1 January 2020 or later),

- **Amendments to IFRS 16 "Leases"** - Covid-19-Related Rent Concessions, as adopted by the EU on 9 October 2020 and applicable to annual periods starting on 1 June 2020 or later (for financial years starting on 1 January 2020 or later),

- **Changes to references to the conceptual framework in IFRS** adopted by the EU on 29 November 2019 (applies for annual periods starting on 1 January 2020 or later).

The adoption of changes to existing standards did not lead to significant changes in the financial statements of the company.

b. Standards and amendments to existing standards, issued by the IASB and adopted by the EU that have not entered into force yet

On the date of approval of these financial statements, the International Accounting Standards Board (IASB) issued amendments to **IFRS 4 "Insurance Contracts"** – an extension of the temporary concession from the use of IFRS 9, as adopted by the EU on 16 December 2020, which are, however, not not yet effective (the expiry date of the temporary concession was extended to annual periods beginning on 1 January 2023 or later).

The company decided not to use the amendments to existing standards before they enter into effect.

The company estimates that the amendments to existing standards during the initial period of application will not have a significant impact on the financial statements of the company.

c. New standards and amendments to existing standards issued by IASB but which have not yet been adopted by the EU

Currently, the IFRS as adopted by the EU do not considerably differ from those adopted by the International Accounting Standards Board (IASB) with the exception of the following standards and amendments to existing standards for use on 31 May 2021 (dates of entry into force listed below are effective for the entire IFRS, as issued by the IASB):

- **IFRS 14 "Regulatory Deferral Accounts"** - Regulatory Deferral Accounts (effective for annual periods beginning on 1 January 2016 or later) – the European Commission has decided not to initiate the adoption process of the interim standard but to wait for the final version of the standard to be issued,

- **IFRS 17 "Insurance Contracts"** - Insurance Contracts including amendments to IFRS 17 (effective for annual periods beginning on 1 January 2023 or later),

- **Amendments to IAS 1 "Presentation of Financial Statements"**– classification of obligations to short-term and long-term (effective for annual periods beginning on 1 January 2023 or later),

- **Amendments to IAS 16 “Property, plant and equipment”**– proceeds before intended use (effective for annual periods beginning on 1 January 2022 or later),

- **Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”** – Onerous contracts - Expenditure required for the performance of the contract (effective for annual periods beginning on 1 January 2022 or later),

- **Amendments to IFRS 3 »Business Combinations«** – References to the conceptual framework with amendments of IFRS 3 (effective for annual periods beginning on 1 January 2022 or later),

- **Amendments to IFRS 10 "Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures"** – Sale or contribution of funds between the investor and its associate or a joint venture and further amendments (date of entry into force is postponed for an indefinite duration until the conclusion of the research project in regard to the equity method),

- **Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Recognition and Measurement”, IFRS 7 “Disclosures”, IFRS 4 “Insurance Contracts” and IFRS 16 “Leases”** – reform of reference interest rates – phase 2 (effective for annual periods beginning on 1 January 2021 or later),

- **Amendments to a number of standards due to Improvements to IFRS (period 2018–2020)"** stemming from the annual IFRS improvements project (IFRS 1, IFRS 9, IFRS 16 and IAS 41), mainly in order to eliminate discrepancies and misinterpretations (amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on 1 January 2022 or later. The amendment to IFRS 16 serves as an illustrative example, thus the effective date is not specified).

The company estimates that the adoption of these new standards and amendments to existing standards during the initial period of application will not have a significant impact on the financial statements of the company.

The calculation of protection against risks related to the portfolio of financial assets and liabilities, the principles of which have not yet been adopted by the EU, remains unregulated.

The company estimates that the application of calculations for the protection against risks related to financial assets and liabilities pursuant to **IAS 39 »Recognition and Measurement«** should not have a significant impact on the company’s financial statements, if it had been already used as at the date of the balance sheet.

4.4.4 SIGNIFICANT ACCOUNTING POLICIES

a. Basis for drafting the Report

The financial statements have been drafted pursuant to IFRS, the Companies Act, other laws, and the Rules on Accounting and are presented in euros. While disclosing and valuating items, the provisions of standards were directly applied. The only exception was the valuation of those items in which standards provide the option of selecting from among various valuation methods.

The financial statements have been drafted taking into account the historical values, except for non-current assets held for sale (i.e. assets and the corresponding liabilities of disposal group), real property and investment property, disclosed according to their re-valued or fair value. The valuation of individual assets and liabilities is described in greater detail in individual sections below.

When selecting accounting policies and deciding on their use and the drafting of these financial statements, the management of the company PLU considered the following three requirements:

- the financial statements are comprehensible if they are understood by their users without any problems;
- the information is relevant if it helps the user to adopt business decisions,
- the information is relevant if their omission or untruthful provision could affect the business decisions of the users.

The accounting policies provided below were consistently applied in all disclosed periods.

b. The assumption of a going concern

The management of the company PLU estimates that the application of the assumption of a going concern when drafting the financial statements for the period that ended on 31 December 2020 is suitable.

c. Reporting currency

1 Functional and presentation currency

All items that have been included in the company's financial statements are expressed by using the currency from the primary economic environment in which the company operates (i.e. functional currency). The financial statements are presented in euros, which are the functional and presentation currency of the company. The amounts are rounded to whole numbers, which is why there may be insignificant differences in the disclosures of this report.

2 Foreign currencies

Foreign-currency transactions were calculated into the presentation currency on the basis of the foreign currency exchange rate valid as at the day of the transaction. Gains and losses arising from these transactions and the conversion of cash and liabilities denominated in foreign currencies are recognized in the income statement. The exchange differences arising from debt securities and other monetary financial assets recognised according to their fair value have been included in the profit and loss arising from foreign-currency transactions. Foreign exchange differences on non-monetary items, such as shares held for trading, are shown as part of the increase or decrease in fair value.

d. The application of assessments and judgements

The drafting of the financial statements is also based on particular assessments and assumptions of the management, which affect the carrying amount of the assets of the company and the disclosed revenues and expenses in the accounting period.

A management assessment includes, among other things, the determination of the life span and the residual value of immovable property, machinery, and equipment, as well as of intangible assets, an assessment related to current assets held for sale stating that the sale will actually occur, and the assessment of their fair value minus the sales costs, inventory and receivables allowance, assumptions relevant for the actuarial calculation related to particular profit earned by employees, assumptions that are included in the calculation of possible provisions for lawsuits, future taxable profit for deferred tax assets, and assumptions and assessments related to the impairment of goodwill. Even though, while preparing these assumptions, the management carefully studied all the factors that might affect this, there still might be differences between the actual consequences of business events and the assessed consequences. For this reason, judgment must be used when making accounting assessments and consider any changes in the business environment, new business events, additional information, and experience.

The year 2020 was due to COVID-19 really exceptional, hence the management estimations (especially for trade receivables provisions) have taken into consideration current developments and past experiences about COVID-19 as well as forward looking predictions.

The main assessments and assumptions as at the day of the financial statement, which are related to future operations and could cause significant value adjustment of the book value of assets and liabilities, are stated below.

The data on the significant assessments of uncertainty and deciding judgments which were drafted by the management in the process of carrying out accounting policies and which most affect the amounts in the financial statements are described in the clarifications below:

- All intangible assets are disclosed according to the cost model. Among the intangible assets, the greatest value is held by brands and goodwill, the value of which is estimated yearly and it is determined whether there is a need for impairment. The demonstrated value of the brand and goodwill relates to the acquisition of the company Pivovarna Union, d.d. in 2005. Neither the brand nor the goodwill showed signs of impairment as at the 2020 year-end, as financial results of the company PLU in 2020, as well as its future plans of operations under the auspices of the Heineken Group, were achieved.

- Immovable property (land and buildings) is recorded by the company in its financial statements in accordance with what is known as the revaluation model. The fair value of the immovable property was estimated as at 31 December 2019. The expert who carried out the estimation was Andraž Brilli, who is a certified immovable property valuator licensed by the Slovenian Institute of Auditors. The valuation was drafted for the purpose of accounting reporting pursuant to the International Valuation Standards (MSOV 2017). The fair value of the immovable property was valuated; the market value of this property is considered its fair value. The valuator reviewed the documentation and other information on the immovable property, he personally visited the properties and inspected them, he studied matters that might affect their value (legislation, market conditions, the surrounding area of the immovable property, their best use, etc.), he collected and studied the public and non-public data and information on comparable transactions in the market, and he finally methodologically processed them in a way that allowed him to reach the most likely appraised values. In the appraisal process, he used the assumptions and experience from the Slovenian real estate market. Because the appraised value did not significantly deviate from the book value as at 31 December 2019, the company did not revaluate the immovable property on that day. For the purpose of preparing financial statements on 31 December 2020, the company, with the assistance of a financial expert reviewed the trends in immovable property prices on the Slovenian market in 2020 and their impact on the fair value of the company's immovable properties. The analysis showed that the fair value of the company's immovable properties as at 31 December 2020 was not materially affected by market prices of immovable properties, therefore the company did not revalue its properties.

- The current value of termination benefits upon retirement and the long-service bonus were recorded within the obligations to generate particular profit. They were recognised on the basis of an actuarial calculation confirmed by the management. The actuarial calculation is based on the assumptions and estimates valid at the time when the calculation was made; in the future, due to changes, they might differ from the actual assumptions valid at the time. This mainly refers to determining the discount rate, the rate of employee turnover, the death rate, and the wage growth. Due to the complexity of the actuarial calculation and the long-term nature of the item, the benefit obligations are sensitive to the changes in the said estimates.

- A provision is recognised when the company has legal or constructive obligations due to a past event which can be reliably estimated and if it is likely that an outflow from the entity of resources embodying economic benefits will result from settling these obligations. The possible obligations are not recognised in the financial statements because their actual existence will only be confirmed with the occurrence or non-occurrence of events in the unforeseeable future, which cannot be affected by the company. The management of the company PLU regularly checks whether an outflow of resources embodying economic benefits will be likely for the settlement of a possible obligation. If this becomes likely, the possible obligation will be reallocated so that a provision is formed for it in the financial statements at the moment when the level of likelihood changes.

- Important management estimates are made with regards to collection of receivables from customers. In order to make revisions of the value of operating receivables (mainly from customers) the Company uses a model, which has been produced on the basis of historical information regarding the likelihood of payments and payment due dates of customers by two most significant sales channels (off-trade and on-trade), as well as the daily financing costs. The percentage of the required revision of the value of open receivables from customers as at a specific date was calculated. PLU assesses and/or revises (if needed) the calculated percentage on an annual basis. The model includes assumptions of future information which is reflected through macroeconomic indicators. PLU determines the additional percentage for revising the value of open receivables as at a specific date for most important customers. The percentage is based on the estimated future loss in case of default payments. PLU also estimates and/or revises (if needed) this additional percentage on an annual basis. Due to the measures of the Government of the Republic of Slovenia aimed at preventing the spread of the COVID-19 virus, the buyes from the HORECA sales channel were temporarily forced to stop their activities which had a significant impact on the repayment of our claims. Due to the situation, the management of the company carefully assessed the repayability of outstanding debts and had additionally made value adjustments of receivables of customers in the HORECA channel.

- Pursuant to Slovenian tax legislation, tax loss can be used without any time limits in the future, but at the most up to a half of the taxable income per year. As on 31 December 2020 the total tax loss amounted to EUR 141,439,506. Management estimates that in the future the company will generate enough taxable profit to use the accumulated tax loss.

e. Recognition of income

The company recognises sales revenue arising from the following transactions:
- the sale of products and merchandise;
- the sale of services.

The sales revenues can be measured on the basis of expected payments to which the company expects to be entitled according to agreements entered into with buyers. This excludes amounts that the company obtains for the account of third parties. Sales revenues are disclosed without value added tax and excise duties, estimated reimbursements and discounts, as well as amounts for services received by buyers.

Sales revenues are recognised when the management and control of the object of the sale is transferred onto the buyer. In most cases, this occurs when a delivery is made or when customers take over goods in at the premises of the company.

Discounts granted to customers may be unconditional (e.g. for immediate payment or promotional), recognised at the momenbt of sale or conditional – contractually agreed in cases when a customer reaches certain goals and recognised through calculations based on customer experience and data on current or expected sales. Discounts and other payments to customers for their services are typically recognised as reduction in sales revenue, except if it refers to customer services which are not directly tied to the sales of products of the company, in which case it will be classified in the cost of services.

Other revenue categories are recognised on the following basis:

- interest revenue is recognised as revenue in the period to which they refer in accordance with the applicable interest rate, when the likelihood of the inflow of economic benefits is high;
- dividend revenue is recognised when the right to receive payment from dividends arises;
- revenue from licence fees are recognised on the basis of the provision in licensing agreements.

f. Investment in subsidiaries

A subsidiary company is a company controlled by PLU, which means that it is able to decide on its financial and business policies. Investments in subsidiaries are valued at cost. With regard to determining whether any losses due to impairment of an investment in a subsidiary need to be recognised in the financial statements of the company PLU, the provisions of IAS 36 are taken into account.

g. Intangible Assets

Intangible assets with a finite useful life, which were obtained individually (not within a business combination) and were not created within the company, are managed in accounting terms using the cost model and are disclosed according to their cost minus the accumulated amortisation and any impairments. They amortise according to the straight-line method in the period of their estimated expected functional life (patents, trademark licences 5 years; software 3 years). The estimates of expected functional lives and the amortisation method are verified every time that financial statements are drafted; any changes of the estimates of the said categories are changed, they are taken into account for future periods and not retroactively. In 2020, amortisation rates did not significantly change compared to 2019.

Intangible assets with an infinite useful life, which were obtained individually (not within a business combination) and were not created within the company, are disclosed according to their cost minus any impairments.

The recognition of an intangible asset is removed after its disposal or when no future economic benefits arising from its future use can be expected. Profit or loss after the recognition is removed affects the profit or loss of the period in which the recognition was removed.

1 Goodwill

Goodwill is the excess of the cost of the acquired entity over the fair value of the interest in the net assets of the acquired entity as at the day of the acquisition. Goodwill arising from the acquisition of subsidiaries is disclosed among intangible assets. Every year, goodwill is verified, tested for impairment, and measured according to the initial value minus accumulated impairment. Profit and loss upon selling a company includes the current goodwill value referring to the sold company.

2 Patents, trademarks and licenses

Expenditures for purchasing patents, trademarks, and licences are capitalised and amortised by using the straight-line amortisation method during their life (amortisation period). If their life cannot be determined, they are not amortised, but they are tested for impairment annually.

If it is found that there is a need for re-valuation, the value of intangible non-current assets must be estimated and these assets must be written down to their recoverable amount. The life of trademarks cannot be determined, so they must be tested for impairment every year. Estimates carried out by certified valuators in companies or by the management itself are the basis for impairment. The depreciation period amounts to 10 years.

3 Other intangible assets

If computer software is not an integral part of the suitable computer hardware, it is treated as an intangible asset. Other intangible assets are disclosed according to their cost minus the accumulated depreciation and the accumulated loss due to impairment. The life of other intangible assets is 3-10 years.

h. Tangible fixed assets (property, land, and equipment)

The land and buildings in use are managed in terms of accounting using the re-valuation model or are disclosed according to their re-valuated value as at the day of re-valuation minus the later accumulated amortisation or impairment. Re-valuation is carried out regularly enough, so that the carrying amounts as at the day of the statement of financial position does not significantly deviate from their fair values.

The re-valuation of land and buildings to a higher fair value is recognised or accumulated as a fair value reserve in other comprehensive income, unless this is the elimination of a previous re-valuation of the same land and buildings to a lower fair value which was recognised in the profit and loss statement; in this case, the re-valuation to a higher fair value is recognised in the profit and loss statement up to the value of the previous re-valuation to a lower fair value. The re-valuation of land and buildings to a lower fair value is recognised in the profit and loss statement with a value that exceeds the potential previous recognised fair value reserve of the same land and buildings.

Production units, machinery, all types of equipment, reusable containers, and small tools are managed in terms of accounting according to the cost model and are disclosed at their cost minus accumulated amortisation and potential impairment. Tangible fixed assets being acquired are measured according to their cost minus potential impairment. The cost also includes borrowing costs in accordance with the adopted accounting guidelines. They are classified in tangible fixed asset categories to which they will belong once finished and available for their intended use. Tangible fixed assets begin to be amortised in the month after they become available for their intended use.

Land is not amortised.

The amortisation of buildings is recognised in the profit and loss statement, while the elimination of surplus from the re-valuation of fair-value reserves is recognised on an ongoing bases, directly in the retained earnings. If the recognition of buildings is eliminated, their corresponding potential residual fair value reserve is carried forward directly to retained earnings.

Amortisation is calculated according to the straight-line method and is (with the exception of land and tangible fixed assets (property, land, and equipment) being obtained, which are not amortised) recognised so that the cost and the re-valued value of the tangible fixed asset (property, land, and equipment) minus any residual value be written down within the period of its estimated expected functional life. The estimates of expected functional lives and residual values and the amortisation method are verified every time that financial statements are drafted; any changes of the estimates of the said categories are changed, they are taken into account for future periods and not retroactively. In 2020, amortisation rates did not significantly change compared to 2019.

The expected functional lives according to individual groups of assets are:

Buildings	10 – 66 years
Machinery and equipment	5 – 20 years
Computer hardware and software	3 years
Vehicles	3 – 8 years
Other equipment	3 – 20 years
Reusable containers (barrels, bottles, cases)	3 – 5 years

Credit costs for financing the purchase of land, the construction of buildings, and the purchase of equipment are attributed to the value of the fixed asset up to the day on which they are ready for their intended use. The costs incurred relating to a tangible fixed asset increase the cost of the asset if they also increase its future benefits compared to those initially estimated; the costs that enable the extension of the useful life of the tangible fixed asset are first reduced to the then calculated cumulative depreciation of its value. The extension of the useful life of a tangible fixed asset (property, land, and equipment) is the extension of the initially defined period in which the tangible fixed asset is amortised. All other repairs and maintenance are included in the profit and loss statement in the financial year in which they occurred.

The recognition of a tangible fixed asset is removed after its disposal or when no future economic benefits arising from its future use can be expected. Profit or loss after the recognition is removed affects the profit or loss of the period in which the recognition was removed.

Tangible assets also include the rights to use leased assets under lease by PLU (except for short-term leases of assets and leases of lower value assets (e.g. mobile phones, computers) which directly added to expenses). The rights to use are recognised in the amount of the associated liabilities due to lease less potential payment as at or prior to the lease start date, and by any potential direct initial costs. Later, they are measured at purchase value, decreased by the accumulated amortization and impairments. The rights to use are amortised over the term of lease and/or years of use of the leased assets, whichever is shorter. Amortisation begins with the start of lease.

i. Impairment of tangible fixed assets and intangible assets

Whenever financial statements are drafted, it is verified for all tangible fixed assets (property, land, and equipment) and intangible assets whether there are any signs of impairment related to them. If there are signs of impairment, their recoverable amount is used to evaluate the potential impairment of the said assets. If the recoverable amount of an individual asset cannot be assessed, there is an attempt to estimate the recoverable amount of the cash-generating unit to which the said asset belongs.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. The latter is assessed as the present value of discounted future cash flows related to an asset, taking into consideration the pre-tax discount rate which reflects the current market assessment of the time value of money and specific risks related to the asset that were not taken into account in the assessment of future cash flows.

The asset (or the cash-generating unit) is impaired to its recoverable amount if this amount is lower than its carrying value. Impairment is immediately recognised in the profit and loss statement if the accounting of a relevant asset is carried out according to the cost model; in this case, impairment is recognised as the reduction of fair value reserves.

j. Loans given, deposits, and monetary items

Loans given, deposits, and monetary items are initially measured according to their fair value as financial assets as at the date of their issuance or placing. After the initial measurement, they are disclosed at their amortised cost using the effective interest method minus impairments.

k. Financial investments in stocks and shares

The company places its financial investments in stocks and shares into the group; they were measured at their fair value through the profit and loss statement. The net effect due to this also includes dividends and interest received.

The best proof of fair value are quoted prices in an active market. If these are not available, valuation techniques are used, which take into account to the maximum extent the market input data and include the last considered market transactions, the reference to the present market value of comparable assets with similar essential characteristics, and the analysis of discounted cash flows.

l. Inventories

Inventories of materials and merchandise are disclosed at the lower of their historical cost or net realisable value and are used according to the weighted average cost formula. Net realisable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

The inventories of finished goods, semi-finished goods, and work-in-progress are valuated according to production overheads. Production overheads are those direct costs of material and raw material, labour, production services, amortisation, etc. and indirect production costs (costs of material and raw material, labour, services, amortisation, etc. accounted for within the production process, which, however, cannot be directly connected to the generated production effects).

Inventories of raw material, material, spare parts, and products from merchandise are written down on the basis of inventory minutes, complaint minutes, and other commission minutes, or at the proposal of a person responsible (also rejects, ullage, breakage), for which a decision adopted by the company management is required. Inventories must be completely written off if their disposal has been permanently prevented or their use prohibited. The Group inspects the applicability of the inventories of material and spare parts that have not experienced movement for over 5 years, and, if necessary, impairs their value by 100 %.

m. Operating receivables

Operating receivables are initially recognised at their fair value but are then measured at their amortised cost using the effective interest method less impairment.

In order to make revisions of the value of operating receivables (mainly from customers) the company uses a model, which has been produced on the basis of historical information regarding the likelihood of payments and payment due dates of customers by two most significant sales channels (off-trade and on-trade), as well as the daily financing costs. The percentage of the required revision of the value of open receivables from customers as at a specific date was calculated. PLU assesses and/or revises (if needed) the calculated percentage on an annual basis. The model includes assumptions of future information which is reflected through macroeconomic indicators.

PLU determines the additional percentage for revising the value of open receivables as at a specific date for most important customers. The percentage is based on the estimated future loss in case of default payments. PLU also estimates and/or revises (if needed) this additional percentage on an annual basis.

Due to the measures of the Government of the Republic of Slovenia aimed at preventing the spread of the COVID-19 virus, the buyes from the HORECA sales channel were temporarily forced to stop their activities which had a significant impact on the repayment of our claims. Due to the situation, the management of the company carefully assessed the repayability of outstanding debts and had additionally made value adjustments of receivables of customers in the HORECA channel.

n. Cash and cash equivalents

For the purposes of the statement of cash flow, cash and cash equivalents are cash at hand, demand deposits at banks, and investments in instruments in the money market, without bank overdrafts. In the statement of financial position, bank account overdrafts are included among current financial liabilities.

o. Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events for which there is a high likelihood in the future that the company will have to settle this obligation and when the amount of the liability can be reliably measured.

The amount of the recognised provisions is the best assessment of the outflow of factors that are needed to settle a present liability as at the date of reporting, taking into consideration the risks and uncertainties related to it. If a provision is measured in the amount of future cash flows necessary for settling a present liability, the amount of these cash flows is discounted to their present value if the time value of money is relevant.

p. Trade payables

Trade payables are supplier loans for goods purchased or services purchased and payables to employees, the government, owners, and others. Payables are recognised in the books of account if it is likely that, due to their settlement, the factors enabling economic benefits will be reduced, and if the amount for settlement can be reliably measured. Trade payables are initially recognised at fair value, but are then measured at their amortised cost using the effective interest method.

q. Financial liabilities

Financial liabilities are recognised at inception, at their fair value, whereby no transaction costs arise. Financial liabilities are decreased by the amount of restructuring costs. In the next periods, financial liabilities are measured at their amortised cost by using the effective interest method. Any difference between receipts (without transaction costs) the and liabilities is recognised in the profit and loss statement throughout the period of the entire financial liability.

Financial liabilities also include liabilities due to the lease of assets. Their initial measurement amounts to the discounted current value of all payments for the lease, which have not been paid at the lease start date. Later, these liabilities are increased by the interest, and decreased by the payments.

r. Corporate income tax

In the statement of comprehensive income, the amount of the corporate income tax is the sum of the current and deferred tax.

The current tax is calculated on the basis of the taxable profit of the current year. Taxable profit can differ from the pre-tax profit in the statement of comprehensive income due to the items of income or expense taxable or tax deductible in other tax periods or due to the items of income or expense which will never be taxable or tax deductible. For companies with registered offices in Slovenia, the current corporate income tax is calculated on the basis of a 19 % tax rate.

s. Non-current deferred tax assets and liabilities

Deferred tax is fully disclosed using the method of liabilities due to temporary differences, which are determined by comparing the carrying amounts of assets and liabilities using suitable tax values in financial statements. Deferred tax liabilities are generally recognised on the basis of all temporary differences, while deferred tax assets are only recognised up to the amount of the deductible temporary differences which are likely to be used in the future on the basis of sufficient taxable profits. Deferred tax is determined according to tax rates (and pursuant to laws) which are applicable or substantively valid as at the date of the statement of financial position and for which it is reasonable to expect that they will also be valid when the deferred tax asset will be realised or the deferred tax liability will be settled.

Deferred tax assets are verified whenever financial statements are drafted and they are recognised if it is likely that, in the future, available taxable profit will be generated, on the basis of which temporary differences will be able to be used.

Current and deferred taxes are recognised in the profit and loss statement, unless they refer to items that are recognised in a different statement of comprehensive income or directly in the capital; in these cases, the current and deferred taxes are also recognised in a different statement of comprehensive income or directly in the capital.

4.4.5 DISCLOSURES TO INDIVIDUAL ITEMS IN THE FINANCIAL STATEMENTS

1 Intangible assets and other long-term assets

Table of behaviour of intangible assets in 2020

in EUR	Brands	Goodwill	Licenses and other IA	Intangible assets being acquired	TOTAL
Purchase value					
1 January 2020	**46,461,058**	**15,803,550**	**6,614,296**	**27,169**	**68,906,073**
New purchases/acquisitions	0	0	0	290,717	**290,717**
Transfer from pending investments	0	0	75,763	-75,763	**0**
Disposals	0	0	-1,201,752	0	**-1,201,752**
31 December 2020	**46,461,058**	**15,803,550**	**5,488,306**	**242,123**	**67,995,037**
Value adjustment					
1 January 2020	**0**	**0**	**6,038,979**	**0**	**6,038,979**
Depreciation in the current year	0	0	161,239	0	**161,239**
Disposals	0	0	-1,201,752	0	**-1,201,752**
31 December 2020	**0**	**0**	**4,998,465**	**0**	**4,998,465**
Current value	**46,461,058**	**15,803,550**	**489,841**	**242,123**	**62,996,572**

Table of behaviour of intangible assets in 2019

in EUR	Brands	Goodwill	Licenses and other IA	Intangible assets being acquired	TOTAL
Purchase value					
1 January 2019	**46,461,058**	**15,803,550**	**6,615,815**	**0**	**68,880,423**
New purchases/acquisitions	0	0	0	33,169	**33,169**
Transfer from pending investments	0	0	6,000	-6,000	**0**
Disposals	0	0	-7,519	0	**-7,519**
31 December 2019	**46,461,058**	**15,803,550**	**6,614,296**	**27,169**	**68,906,073**
Value adjustment					
1 January 2019	**0**	**0**	**5,824,180**	**0**	**5,824,180**
Depreciation in the current year	0	0	222,318	0	**222,318**
Disposals	0	0	-7,519	0	**-7,519**
31 December 2019	**0**	**0**	**6,038,979**	**0**	**6,038,979**
Current value	**46,461,058**	**15,803,550**	**575,317**	**27,169**	**62,867,094**

The company demonstrates the value of the Union brand, while all goodwill relates to the acquisition of the company Pivovarna Union, d.d. in 2005. Neither the Union brand nor the goodwill as at 2020 year-end showed signs of impairment, as financial results of the company Pivovarna Union in 2020, as well as its future plans of operations under the auspices of the Heineken Group, are constantly improving.

Most of the intangible assets acquired in 2020 are computer software. Disposals represent the write-off of amortized intangible fixed assets that are no longer in use.

Intangible assets are not granted as security for liabilities. As at 31 December 2020 the company does not disclose any liabilities for the purchase of intangible assets (equal in 2019). The company has no intangible assets under financial lease.

Other long-term assets

in EUR	2020	2019
Other long-term assets	15,000	15,000
Total	**15,000**	**15,000**

As at 31 December 2020, the company had EUR 15,000 of long-term deferred costs.

2 Tangible fixed assets (property, land, and equipment)

Table of behaviour of tangible fixed assets in 2020

in EUR	Land	Buildings	Production devices and machines	Other devices and equipment	Small tools	Leases	Tangible fixed assets being acquired	TOTAL
Purchase value								
31 December 2019	**14,115,009**	**40,474,311**	**238,772,211**	**35,192,301**	**28,111,390**	**1,777,908**	**5,896,495**	**364,339,624**
New purchases/acquisitions	0	0	0	0	0	559,069	6,853,992	**7,413,061**
Transfer from pending investments	0	846,726	8,292,041	2,054,798	622,544	0	-11,816,109	**0**
Impairments	0	0	0	0	0	0	-181,150	**-181,150**
Disposals	0	0	-5,288,513	-3,808,629	-875,724	0	0	**-9,972,866**
31 December 2020	**14,115,009**	**41,321,036**	**241,775,739**	**33,438,470**	**27,858,210**	**2,336,977**	**753,228**	**361,598,669**
Value adjustment								
1 January 2020	**0**	**5,463,225**	**214,868,762**	**29,230,112**	**25,722,968**	**660,082**	**0**	**275,945,149**
Depreciation in the current year	0	1,311,722	4,133,658	2,618,077	794,977	656,632	0	**9,515,064**
Disposals	0	0	-4,883,610	-3,802,318	-492,782	0	0	**-9,178,709**
31 December 2020	**0**	**6,774,947**	**214,118,809**	**28,045,871**	**26,025,163**	**1,316,714**	**0**	**276,281,504**
Current value	**14,115,009**	**34,546,089**	**27,656,930**	**5,392,599**	**1,833,047**	**1,020,263**	**753,228**	**85,317,165**

Table of behaviour of tangible fixed assets in 2019

in EUR	Land	Buildings	Production devices and machines	Other devices and equipment	Small tools	Leases	Tangible fixed assets being acquired	TOTAL
Purchase value								
31 December 2018	**16,031,379**	**39,909,182**	**249,567,575**	**35,105,564**	**27,374,479**	**0**	**6,631,331**	**374,619,510**
Impact of first application of IFRS 16	0	0	0	0	0	1,730,672	0	**1,730,672**
1 January 2019	**16,031,379**	**39,909,182**	**249,567,575**	**35,105,564**	**27,374,479**	**1,730,672**	**6,631,331**	**376,350,182**
New purchases/acquisitions	0	0	0	973	0	47,236	11,696,840	**11,745,049**
Transfer from pending investments	0	1,043,229	8,213,337	2,229,373	945,738	0	-12,431,676	**0**
Disposals	-1,916,370	-478,100	-19,008,701	-2,143,608	-208,827	0	0	**-23,755,606**
31 December 2019	**14,115,009**	**40,474,311**	**238,772,211**	**35,192,301**	**28,111,390**	**1,777,908**	**5,896,495**	**364,339,624**
Value adjustment								
1 January 2019	**0**	**4,193,739**	**229,138,101**	**29,069,696**	**24,779,615**	**0**	**0**	**287,181,151**
Depreciation in the current year	0	1,298,890	4,672,535	2,226,195	1,148,802	660,082	0	**10,006,504**
Disposals	0	-29,404	-18,941,874	-2,065,779	-205,450	0	0	**-21,242,506**
31 December 2019	**0**	**5,463,225**	**214,868,762**	**29,230,112**	**25,722,968**	**660,082**	**0**	**275,945,149**
Current value	**14,115,009**	**35,011,086**	**23,903,449**	**5,962,189**	**2,388,422**	**1,117,826**	**5,896,495**	**88,394,475**

The company did not revaluate the properties in 2020. More information on the performed immovable property appraisal is available in the sub-chapter on significant accounting policies **d. The application of assessments and judgements of this Report.**

As at 31 December 2020, the company had no tangible fixed assets pledged as collateral.

Impairment of tangible fixed assets being acquired relates to an investment in progress that will not be realized.

As at 31 December 2020, the amount of financial and operating liabilities of PLU (without leases) referring to the purchase of tangible fixed assets amounted to EUR 1,246,442 (EUR 1,577,164 as at 31 December 2019).

Net profit from the disposal and elimination of all tangible fixed assets amounted to EUR 67,731 (EUR 548,440 in 2019).

Leases include the rights to use the leased rolling stock. Average term of lease is 4 years.

3 Long-term financial investments

3.1. Long-term financial investments in subsidiaries

Interests in subsidiaries

in EUR	2020	2019
Interests in related companies		
In Slovenia:		
Vital Mestinje, d.o.o.	0	1,535,219
PLU Online, d.o.o.	0	70,000
	0	**1,605,219**
Abroad:		
Laško Grupa, d.o.o., Kosovo	1,000	1,000
	1,000	**1,000**
Total	**1,000**	**1,606,219**

PLU valuates its long-term financial investments in subsidiaries according to the purchase prices model.

As at 31 December 2020, PLU holds a 100 % interest in Laško Grupa Kosovo, Sh.p.k. and 100 % interest in PLU Online, d.o.o.

The investment in the company Vital Mestinje, d.o.o. was sold in 2020 for EUR 1,352,436. The loss in the sale of the investment, recognised among other operating expenses, amounted to EUR 187,729.

The investment in the company PLU Online d.o.o. was completely impaired in the amount of EUR 170,000, disclosed as other operating expenses.

As at 31 December 2020, the capital of the company Laško Grupa Kosovo, Sh.p.k. amounted to EUR 301,097 (EUR 152,190 as at 31 December 2019) and the company PLU Online, d.o.o. to EUR -628 (EUR

-5,282 as at 31 December 2019). In 2020, the company Laško Grupa Kosovo, Sh.p.k. generated a net profit of EUR 300,097 (EUR 7,646 of net profit in 2019), and the company PLU Online, d.o.o. generated a net loss of EUR 95,347 (a net loss of EUR 75,282 in 2019).

3.2. Long-term financial investments in stocks and shares

Long-term financial investments in stocks and shares, measured at their fair value through the profit and loss statement

in EUR	2020	2019
Investments in stocks and shares	6,208,987	350,220
Total	**6,208,987**	**350,220**

Behaviour of long-term financial investments in stocks and shares

in (EUR)	2020	2019
As at 1 January	**350,220**	**350,220**
Changes in the year:		
Transfer from short-term financial investments	5,858,767	0
As at 31 December	**6,208,987**	**350,220**

In 2020, PLU transferred the investment from short-term financial investments into the company Elektro Maribor, d.d. (5.74 % share) in the amount of EUR 5,190,267 (EUR 5,190,267 as at 31 December 2019) and investment in the company Elektro Gorenjska, d.d. (1.57 % share), in the amount of EUR 668,500 EUR (EUR 668,500 as at 31 December 2019). The transfer was carried out because the company withdrew from the short-term sale.

As at 31 December 2020, the company owned shares in the company Davidov hram d.o.o. Ljubno, in the amount of EUR 240,000, and IEDC – Poslovna šola Bled, d.o.o., in the amount of EUR 110,083.

No investments were pledget as at 31 December 2020.

3 Long-term loans issued

in EUR	2020	2019
Other long-term loans	17,980	32,595
Total	**17,980**	**32,595**

Other long-term loans are housing loans granted to employees. The repayment period is up to 20 years. The last repayments are due in 2022.

4 Long-term operating receivables

in EUR	2020	2019
Long-term operating receivables due from others	2,091,412	2,110,574
Total	**2,091,412**	**2,110,574**

Long-term operating receivables of the company as at 31 December 2020 included a discounted receivable due from the State amounting to EUR 2,076,412 (EUR 2,085,067 as at 31 December 2019) on account of excessive payment of water concession fees over the period from 2005 to 2013, as a result of legislation amended in December 2013. The discount rate applied was 5.45 %. The receivable shall be paid within twenty years.

5 Non-current deferred tax assets and liabilities

in EUR	2020	2019
Non-current deferred tax assets	30,559,646	32,837,031
Non-current deferred tax liabilities	-10,802,978	-10,990,383
Total	**19,756,668**	**21,846,648**

Deferred tax assets

in EUR	Liabilities to employees	Fair value (financial assets)	Tax loss	Other	Total
1 January 2019	**266,546**	**3,053,899**	**31,922,499**	**286,406**	**35,529,350**
Changes in profit or loss	17,733	0	-2,822,248	50,356	-2,754,160
Change in other comprehensive income	61,841	0	0	0	61,841
31 December 2019	**346,120**	**3,053,899**	**29,100,251**	**336,762**	**32,837,031**
Changes in profit or loss	-4,087	-27,976	-2,226,747	2,051	-2,256,759
Change in other comprehensive income	-20,626	0	0	0	-20,626
31 December 2020	**321,407**	**3,025,923**	**26,873,504**	**338,813**	**30,559,646**

Deferred tax liabilities

in EUR	Fair value (land, buildings)	Other	Total
1January 2019	**2,910,939**	**8,184,630**	**11,095,569**
Changes in profit or loss	0	-104,857	-104,857
other changes	-330	0	-330
31 December 2019	**2,910,610**	**8,079,773**	**10,990,383**
Changes in profit or loss	0	-187,405	-187,405
31 December 2020	**2,910,610**	**7,892,369**	**10,802,978**

As at 31 December 2020, PLU had deferred tax receivables and liabilities. Deferred tax liabilities and receivables were prepared taking into account the foreseen tax rates that were to be valid in the year when the receivables or liabilities are due.

As at 31 December 2020 the total tax loss amounted to EUR 141,439,506.

As at 31 December 2020, the company applied a 19 % tax rate for the calculation of deferred tax.

6 Inventories

in EUR	2020	2019
Materials and raw materials	6,343,797	6,098,207
Work in progress	1,105,003	1,110,082
Products	2,786,504	1,931,003
Merchandise	345,598	374,674
Total	**10,580,902**	**9,513,966**

Among the material and raw material inventory, there are inventories of spare parts, basic raw materials, non-returnable (reusable) containers, and other materials.

In 2020, inventory surpluses and deficits were insignificant in terms of their amount.

No inventories are pledged as collateral for liabilities.

The carrying amount of inventories is not in excess of their net realisable value.

7 Short-term financial investments

Short-term financial investments in stocks and shares, measured at their fair value through the profit and loss statement

in EUR	2020	2019
Investments in stocks and shares	0	5,858,767
Total	**0**	**5,858,767**

In 2020, the company transferred its investments to long-term financial investments.

Behaviour of short-term financial investments in stocks and shares

in EUR	2020	2019
As at 1 January	**5,858,767**	**5,858,767**
Changes in the year:		
Transfer to long-term financial investments	-5,858,767	0
As at 31 December	**0**	**5,858,767**

8 Short-term operating receivables

in EUR	2020	2019
Short-term operating trade receivables:	**24,673,800**	**30,081,272**
on the domestic market	*25,047,502*	*28,842,031*
on foreign markets	*4,104,590*	*4,907,844*
Minus allowance for depreciation	-4,478,292	-3,668,603
Short-term operating trade receivables due from others:	**297,788**	**1,337,365**
Short-term operating trade receivables due from others	872,433	1,333,293
Advances	44,093	546,621
Minus allowance for depreciation	-618,738	-542,549
Total	**24,971,588**	**31,418,637**

The reported value of short-term operating and other receivables reflects their fair value.

Allowances for short-term operating receivables (buyers and default interest)

in EUR	2020	2019
As at 1 January	**4,211,152**	**4,202,235**
Changes in the year:		
Allowances made during the year	1,275,227	20,511
Increase in allowances – transfer to disputed and questionable	440,582	325,752
Transfer of costs and interest to disputed	24,637	12,858
Impairment for receivables	-378,264	-56,139
Final write-off of receivables	-476,304	-294,065
As at 31 December	**5,097,030**	**4,211,152**

Maturity of accounts receivable (gross)

in EUR	2020	2019
Maturity of accounts receivable		
Not due	18,545,336	25,284,391
Up to 30 days	3,907,323	5,475,861
From 31 to 60 days	2,853,832	311,937
From 61 to 90 days	1,340,036	310,752
More than 91 days	3,422,091	4,246,848
As at 31 December	**30,068,618**	**35,629,789**

From its customers, the company received guarantees in the amount of EUR 895,500 and mortgages in the amount of EUR 1,500,000.

As at 31 December 2020, the company had no receivables pledged as collateral.

9 Cash and cash equivalents

in EUR	2020	2019
Bank balances	22,447,528	34,670,507
Cash in hand and cheques	6,710	45,774
Cash in transit	19,067	55,688
Total	**22,473,305**	**34,771,969**

10 Other non-current assets

in EUR	2020	2019
Other non-current assets	393,706	107,192
Total	**393,706**	**107,192**

Among other non-current assets the majority is represented by short-term deferred costs of accounted excise duties from unsold products.

11 Capital

in EUR	2020	2019
Share capital	36,503,305	36,503,305
Capital reserves	993,654	993,654
Profit reserves (legal reserves)	3,650,331	3,650,331
Fair value reserves	4,510,620	4,622,427
Net profit or loss from previous years	262,537	302,513
Net profit or loss	16,651,463	24,388,622
Total	**62,571,910**	**70,460,852**

The company’s capital reserve is made up of amounts on the basis of the impairment of the general revaluation adjustment of equity.

Fair value reserves refer to the net revaluation effect of immovable property, financial investments, and actuarial surpluses and related deferred taxes.

In 2020, the reserves for the fair value arising from the depreciated part of revalued property decreased by the net amount of EUR 199,739 (EUR 211,390 in 2019), while the reserves arising from the actuary calculation increased by EUR 87,932 net (EUR 263,640 reduction in 2019).

In 2020, the company generated net profit in the amount of EUR 16,651,463 (EUR 24,388,622 in 2019).

12 Provisions and other long-term liabilities

in EUR	2020	2019
Provisions for retirement grants and jubilee benefits	3,355,134	3,402,176
Provisions for severance pay from restructuring	260,201	116,622
Other provisions	3,164,419	2,594,904
Other long-term liabilities	154,693	136,765
Total	**6,934,447**	**6,250,467**

Movement of provisions and non-current accrued costs and revenues

in EUR	Severance pay upon retirement	Jubilee benefits	Restructuring	Other provisions	Non-current accrued costs and deferred revenues	Total
1 January 2019	**1,736,161**	**1,081,331**	**1,001,147**	**381,729**	**207,052**	**4,407,420**
Increase	429,468	227,759	150,000	0	144,981	952,208
Transfer from/to other short-term liabilities	0	0	0	3,577,713	-215,268	3,362,445
Reduction - drawing	-9,781	-62,762	-1,034,525	-65,568	0	-1,172,636
Reduction - resolved	0	0	0	-1,298,970	0	-1,298,970
1 January 2020	**2,155,848**	**1,246,328**	**116,622**	**2,594,904**	**136,765**	**6,250,467**
Increase	-2,115	59,614	950,000	675,144	154,693	1,837,336
Reduction - drawing	-8,396	-96,144	-806,421	-11,629	-152,468	-1,075,059
Reduction - resolved	0	0	0	-94,000	15,703	-78,297
31 December 2020	**2,145,337**	**1,209,798**	**260,201**	**3,164,419**	**154,693**	**6,934,447**

The amount of provisions for retirement benefits and jubilee benefits as at 31 December 2020 was calculated by an authorised actuary. When calculating potential liabilities with regard to the retirement grant, the provisions of the ‘Decree on the levels of reimbursed work-related expenses and of certain income not to be included in the tax base’ are taken into consideration. If the amount of the retirement benefit exceeds the amount from the ‘Decree on the levels of reimbursed work-related expenses and of certain income not to be included in the tax base’, the employer must to pay the 16.1 % contributions on the excess amount.

Overview of additional assumptions:

- The growth of average salary in the Republic of Slovenia is assumed to be 2.5 % annually in 2021 as well as in the following years, which represents the estimated long-term growth of salaries;
- The calculation takes into consideration the growth of amounts of the retirement benefits and jubilee benefits in the ‘Decree on the levels of reimbursed work-related expenses and of certain income not to be included in the tax base’ as assumed in the previous indent for the growth of the average salary in the Republic of Slovenia, (it is an assumption that the bases will be changing in accordance with the growth of the average salary in the Republic of Slovenia since we are not aware of the actual intention of the legislator concerning the amounts in the ‘Decree on the levels of reimbursed work-related expenses and of certain income not to be included in the tax base’);
- The calculation of liabilities from severance payments is tied to the years of pensionable service of each individual employee.

The selected discounted interest rate is 0.45 % annually, which equals the set discount rate of the Heineken Group in the relevant part of Europe.

Assumptions regarding staff turnover and the relevant obligations of the company:

- Employee turnover mainly depends on the age of employees;
- Employees' mortality was taken into account using mortality tables of Slovenian population in 2007;

- Allocation of workers as permanently redundant workforce results in other liabilities of the company and therefore it is assumed that the present value of the employer's liabilities relating to classification of an employee as a redundant worker equals the present value of the liabilities for severance payments;
- Cases where the reason is regular retirement are accounted for in the calculation by considering the accumulated and future years of service, taking into account the conditions for old-age retirement;
- It is assumed that the employees will utilise their right to old-age retirement and therefore, the obligation to pay jubilee benefits to an employee subsequently according to the projection will not arise.

Based on the actuarial calculation, the company recognised in the profit or loss unrealised actuarial loss on account of severance payments in the amount of EUR 108,558 (EUR 325,481 of profit in 2019), current employee benefits costs amounting to EUR 96,835 (EUR 73,849 in 2019), and interest expenses in the amount of EUR 9,607 (EUR 30,138 in 2019). Regarding jubilee benefits, the company recognised in the profit or loss current employee benefit costs, interest expense, and actuarial gains totalling EUR 59,614 (EUR 227,759 in 2019).

The provisions for severance pay and jubilee benefits were reduced by the amount of actual amounts of jubilee payments in the amount of EUR 96,144 (EUR 62,762 in 2019) and for actual amounts of severance payments in the amount of EUR 8,396 (EUR 9,781 in 2019). In 2020, the company did not eliminate provisions for severance payments and jubilee benefits.

In 2020, provisions for severance pays due to restructuring increased by EUR 143,579 (a decrease by EUR 884,525 in 2019).

Other provisions as at 31 December 2020 increased by EUR 569,515 compared to 2019. Its increase was due to the framing of commitments for a water licence in the amount of EUR 675,144, the elimination of the provision for a lawsuit in the amount of EUR 94,000 and drawings due to other legal matters in the amount of EUR 11,629.

13 Non-current financial liabilities

in EUR	2020	2019
Long-term borrowings from companies of the Group	90,000,000	140,000,000
Non-current liabilities from lease	496,856	539,166
Total	**90,496,856**	**140,539,166**

Long-term borrowings obtained from the controlling company Heineken International B.V. are not secured and refer to the long-term loan in the amount of EUR 90,000,000 (1.95 % p.a.).

The discount rate for liabilities of leases in 2020 amounted to 2.9 %.

Maturity of non-current financial liabilities

in EUR	2020	2019
Maturity from 1 to 2 years	311,191	365,230
Maturity from 2 to 4 years	90,185,665	50,173,936
Maturity from 4 to 6 years	0	90,000,000
Total	**90,496,856**	**140,539,166**

As at 31 December 2020, PLU does not have any liabilities due.

Movement of long-term loans in 2020

in EUR	Debt balance 31 Dec. 2019	Transfer to short-term	Increase	Debt balance 31 Dec. 2020
Long-term borrowings from companies of the Group	140,000,000	-50,000,000	0	90,000,000
Non-current liabilities from lease	539,166	-450,015	407,705	496,856
Total	**140,539,166**	**-50,450,015**	**407,705**	**90,496,856**

Movement of long-term loans in 2019

in EUR	Debt balance 31 Dec. 2018	Impact of first application of IFRS 16	Balance 1 January 2019	Transfer to short-term	Increase	Debt balance 31 Dec. 2019
Long-term borrowings from group companies	140,000,000	0	140,000,000	0	0	140,000,000
Non-current liabilities from lease	0	1,097,494	1,097,494	588,345	30,017	539,166
Total	**140,000,000**	**1,097,494**	**141,097,494**	**588,345**	**30,017**	**140,539,166**

14 Long-term operating liabilities

in EUR	2020	2019
Other long-term operating liabilities	3,104,826	3,252,675
Total	**3,104,826**	**3,252,675**

The company's non-current operating liabilities include a liability in the amount of EUR 3,104,826 (EUR 3,252,675 as at 31 December 2019), which relates to the payment of concession fees for the use of water between 2005 and 2013. Pursuant to the decision of the Ministry of Environment and Spatial Planning of the Republic of Slovenia, this fee must be paid until the expiry of the period for which the relevant water rights have been granted, namely until 31 October 2043, when the water permit expires.

15 Current financial liabilities

in EUR	2020	2019
Current financial liabilities for interests payable on borrowings	512,374	553,791
Current financial liabilities for principal on borrowings	10,000,000	0
Current liabilities from lease	519,546	593,999
Total	**11,031,920**	**1,147,790**

Movements of short-term borrowings from lenders in 2020

in EUR	Debt balance 31 Dec. 2019	Interests/Discount	Transfer from long-term loans	Increase	Repayments and extensions	Debt balance 31 Dec. 2020
Controlling company	553,791	2,509,892	50,000,000	0	-42,551,309	10,512,374
Current liabilities from lease	593,999	30,331	450,015	151,363	-706,162	519,546
Total	**1,147,790**	**2,540,223**	**50,450,015**	**151,363**	**-43,257,471**	**11,031,920**

Movements of short-term borrowings from lenders in 2019

in EUR	Debt balance 31 Dec. 2018	Impact of first application of IFRS 16	Debt balance 1 Jan. 2019	Interest	Transfer from long-term loans	Increase	Repayments and extensions	Debt balance 31 Dec. 2019
Controlling company	31,558,548	0	31,558,548	3,307,112	0	0	34,311,869	553,791
Liabilities from lease	0	633,178	633,178	40,777	588,345	17,221	685,522	593,999
Total	**31,558,548**	**633,178**	**32,191,726**	**3,347,889**	**588,345**	**17,221**	**34,997,391**	**1,147,790**

The short-term financial liability of PLU as at 31 December 2020 in the amount of EUR 11,031,920 refers to the open credit line in the amount of EUR 10,000,000 (interest rate EURIBOR + 1.65 % p.a.) and interests payable to the company Heineken and on current liabilities from lease.

16 Short-term operating liabilities

in EUR	2020	2019
Current liabilities to related parties	1,348,522	1,337,219
Current liabilities to other suppliers	14,456,105	15,773,544
Current operating liabilities to others:		
to employees	*1,346,496*	*1,385,767*
to the state	*10,779,132*	*7,663,878*
Current liabilities from advances	119,403	203,613
Current liabilities not yet invoiced	3,443,458	5,725,604
Other current operating liabilities	28,025,385	4,719,993
Total	**59,518,500**	**36,809,618**

The majority of current operating liabilities relate to other current liabilities to suppliers. Liabilities to the state include excise duties and value added tax in the amount of EUR 10,050,662 (EUR 7,107,236 as at 31 December 2019), water concessions in the amount of EUR 147,849 (EUR 147,749 as at 31 December 2019), liabilities for salary contributions in the amount of EUR 196,059 (EUR 202,169 as at 31 December 2019), and other items. The bulk of other current operating liabilities is made up from undistributed profits to the owner but confirmed by the Assembly (EUR 24,691,135) and from liabilities from received deposits for returnable packaging in the amount of EUR 2,070,618 (EUR 3,145,346 as at 31 December 2019).

Current operating liabilities to others in the amount of EUR 12,125,628 (EUR 9,049,645 as at 31 December 2019) and other current liabilities in the amount of EUR 28,025,385 (EUR 4,719,993 as at 31 December 2019) were not yet due as at 31 December 2020.

As at 31 December 2020, the company had the following given guarantees: EUR 1,050,000 for excise duties and EUR 15,000 for customs duties.

17 Other current liabilities

in EUR	2020	2019
Short-term accrued costs and deferred income	1,165,826	432,789
Total	**1,165,826**	**432,789**

Significant accrued costs refer to unused annual leave and unused hours and Heineken's programme for a management bonus scheme.

18 Net sales revenue

in EUR	2020	2019
Revenue from the sale of products and services on domestic market	96,453,537	109,704,137
Revenue from the sale of products and services on foreign markets	45,847,391	40,191,084
Revenues from the sale of material and merchandise on domestic market	3,103,028	6,194,630
Revenues from the sale of material and merchandise on foreign markets	213,368	401,722
Total	**145,617,324**	**156,491,573**

Net sales revenue on the domestic and foreign markets

in EUR	2020	2019
Sales revenue on the domestic market	99,556,565	115,898,767
Sales revenue on foreign markets	46,060,759	40,592,806
Total	**145,617,324**	**156,491,573**

19 Other operating revenues (including operating revenues from revaluation)

in EUR	2020	2019
Revenue from reversal of provisions	94,000	0
Revaluation operating revenue	136,512	811,809
Other operating income	62,361	655,693
Total	**292,873**	**1,467,501**

In 2020, the company disclosed among its revaluation, operating revenues arising from the sale of property in the amount of EUR 73,750 (EUR 746,398 in 2019).

20 Costs and other operating expenses

in EUR	2020	2019
Costs of materials, raw materials and merchandise	63,226,177	61,665,444
Costs of services	22,120,951	25,523,033
Depreciation	9,676,303	10,228,823
Revaluation operating expenses from fixed assets	187,168	197,958
Revaluation operating expenses from operating current assets	1,880,844	734,441
Costs of wages and salaries	15,266,092	16,202,969
Social security contributions on salaries	2,637,205	3,029,832
Other costs of labour	5,370,701	5,618,296
Costs of provisions	176,431	0
Other operating expenses	3,958,661	2,164,646
Total	**124,500,533**	**125,365,442**

The most important item among other operating expenses refers to the water concession which increased by EUR 1,212,779 compared to 2019.

The costs of lease of lower-value items amounted to EUR 280,365 (EUR 314,726 in 2019).

21 Financial income and expense

in EUR	2020	2019
FINANCIAL INCOME	**1,244,332**	**848,697**
Financial income from shares in the profits	472,219	511,240
Financial revenue from loans granted	0	2,275
Financial income from operating receivables	772,113	335,182
FINANCIAL EXPENSES	**-2,955,473**	**-3,627,032**
Financial expenses for other financial liabilities	-2,540,222	-3,347,889
Financial expenses for other operating liabilities	-415,251	-279,143
Total	**-1,711,141**	**-2,778,334**

Financial revenue originating from shares in profit mainly refer to the received dividends of the subsidiary Elektro Maribor d.d. in the amount of EUR 280,655 and Laško Grupa Kosovo Sh.p.k. in the amount of EUR 151,092.

In 2020, the company disclosed financial expenses in the amount of EUR 2,509,891 (EUR 3,307,112 in 2019) for interest from the received long-term loan from the controlling company, while financial liabilities due to the lease amounted to EUR 30,331 (EUR 40,777 in 2019).

22 Tax

in EUR	2020	2019
Income tax	-1,924,245	-1,996,412
Deferred tax	-2,069,354	-2,649,303
Total	**-3,993,599**	**-4,645,715**

Income tax calculation

in EUR	2020	2019
Pre-tax result	**20,645,062**	**29,034,337**
Tax at applicable tax rate:		
Income tax, calculated at a tax rate of 19%	1,684,383	1,903,219
Revenue adjustment to tax-recognised income level	-832,413	-537,148
Expenditure adjustment to tax-recognised income level	2,938,728	579,628
Tax base I	22,751,377	29,076,818
Change in the tax base	688,060	625,426
Tax base II	23,439,437	29,702,244
Covering loss	-11,719,719	-14,851,122
Tax relief	-2,854,544	-4,834,179
Tax base III	8,865,175	10,016,943
Tax	**1,684,383**	**1,903,219**
Foreign tax credit	**62,006**	**97,028**
Tax liability	**1,622,377**	**1,806,191**

The fiscal year of PLU is equal to the business year.

In 2020 fiscal year, the company had a positive basis for corporate income tax calculation in the amount EUR 8,865,175.

After foreign tax credit, the tax liability amounted to EUR 1,622,377.

In 2020, the effective tax rate was 19.34 % (16 % in 2019).

In 2020, the company used the loss from previous years in the amount of EUR 11,719,718 and the relief for investments in the amount EUR 2,218,271. As at 31 December 2020, the total unused tax loss amounted to EUR 141,439,506 (EUR 153,159,224 as at 31 December 2019). This is due to the increase of fiscally recognised expenses for the previous years.

From the non-covered tax loss, the company calculated receivables for deferred taxes at the rate of 19 % in the amount of EUR 26,873,506, which shall be settled in the following years from taxable revenue. The difference between the tax according to the tax calculation/return (EUR 1,622,377) and the tax in the profit and loss statement (EUR 1,924,245) is the tax expense arising from the already paid tax abroad, which the company was unable to apply in 2020.

Movement of receivables for deferred tax from tax losses is shown in the report **05 Non-current deferred tax assets and liabilities.**

4.4.6 FINANCIAL INSTRUMENTS AND RISKS

a. Credit risk

The carrying amount of financial assets represents exposure to credit risk as follows:

Credit risk exposure

in EUR	2020	2019
Loans given	33,356	54,625
Receivables less amounts due from the state and advances given	24,687,729	31,134,778
- thereof trade receivables	*24,673,800*	*30,081,272*
Cash and cash equivalents	22,473,305	34,771,969
Total	**47,194,390**	**65,961,372**

Receivables due from our major wholesalers on the Slovenian market are only partly collateral and, subsequently, there is a large credit risk exposure in this particular segment. By the end of the year, our receivables to our eight largest customers amounted to 80 % (31 December 2019: 77 %) of all receivables to our customers on the domestic and foreign markets. Of all overdue receivables at the end of 2020, 36 % were due from our largest buyer, representing a 75 % share in the segment of overdue receivables up to 30 days (31 December 2019: 76 %). The remaining 25 % (31 December 2019: 24 %) of overdue receivables up to 30 days fall to retailers and buyers from direct distribution.

We are focusing more and more attention on tracking the creditworthiness of our customers by implementing the process of the so-called Credit Risk Management, where we track our customers on a weekly basis and assess their credit rating and payment discipline to ensure timely action. Due to unforeseen circumstances on the market, we must constantly keep track of the credit risk of our buyers, which is increasing year by year. We estimate that the credit risk is appropriately tracked and managed by the company.

The maturity structure of receivables as at 31 December 2020 and 31 December 2019 is disclosed in **4.4.6 Current operating receivables**.

b. Liquidity risk

The company's credit exposure only exists in relation to the Heineken Group for the two loans received from the 100 % owner, i.e. Heineken International B.V. Amsterdam, in the total amount of EUR 100,000,000. More detailed information is disclosed under Section **13 Non-current financial liabilities** and **15 Current financial liabilities**.

As at 31 December 2020 the company disclosed a surplus of current obligations exceeding current assets mostly due to temporarily unpaid dividends. Dividends were paid on January 2021 and the payment was financed by using the open credit line to the owner.

Liabilities towards our suppliers are settled on an ongoing basis; consequently there were basically no outstanding liabilities as at 31 December 2020.

Maturity of current operating liabilities towards suppliers

in EUR	2020	2019
Maturity of liabilities towards suppliers		
Not past due	15,714,069	17,012,472
Up to 30 days	23,540	97,809
From 31 to 60 days	0	-273
From 61 to 90 days	0	754
more than 91 days	67,018	0
Balance as at 31 December	**15,804,627**	**17,110,762**

c. Interest rate risk

The interest rate risk is the risk of a possible change in the reference interest rate on the financial market, mainly due to borrowings in EUR linked to a variable interest rate (EURIBOR). The company's credit exposure only exists in relation to the Heineken Group for the long-term credit received by the 100 % owner of Heineken International B.V. Amsterdam at a fixed interest rate. The company has no credit liabilities towards third persons, so the interest rate risk is minimal (sensitivity analysis is not important).

d. Price risk

Risks on the upstream side are related to weather risks related to key raw materials. In the packaging material segment, the company mainly faces stock exchange risks related to packaging raw materials. In the sense of risk management, Pivovarna Laško Union d.o.o. became a part of Heineken Global Procurement, which uses their Risk Management Department in all upstream segments.

Due to the COVID-19 epidemic, we faced a special situation in 2020 in regards to ensuring the supply of goods. It showed us how important local supply is and how important it is to ensure sustainable cooperation with suppliers which ensures the stability of business operations.

In terms of prices, the world was shook due to new situation of the trade war between Australia and China and the impact of Trump's policies. All of this had an impact on investors and on the gap between the so-called Wall street and Main street financial streams. Investors invested in strategic raw materials and speculatively raised prices.

Due to the suitable long-term activity of HGP risk management, the company was not affected. However, the consumption structure on the market changed, there is more cans, aluminium and more plastic packaging materials, which influences the supply and price fluctuations in the segment of brewing as well (cans, foils, preforms). HGP risk management manages price risks with long-term leases.

e. Foreign exchange risk

The foreign exchange risk is irrelevant for the company, since the company concluded most of its contracts with suppliers in EUR; consequently, changes of exchange rates have no direct impact on our prices.

f. Capital management

The main purpose of the management of the company's equity is to maximise the value for the owners.

The company tracks capital movements with the calculation of the relationship between net financial liabilities and the entire equity. As part of the net financial liabilities, the company includes borrowings and other financial liabilities less the amount of cash and cash equivalents.

Calculation of the ratio between net financial liabilities and equity (gearing ratio)

in EUR	2020	2019
Financial liabilities	101,528,776	141,686,956
Cash assets	22,473,305	34,771,969
Net financial liabilities	**79,055,471**	**106,914,987**
Capital	62,571,910	70,460,852
Gearing ratio (in %)	**126.34**	**151.74**

The relationship between net financial liabilities and equity clearly shows that the company Pivovarna Laško Union d.o.o. is deeply in debt, however, the majority of financial liabilities relate to the long-term loan from the controlling company.

g. The risk of changes to the fair value of financial assets

The Group measures fair value of financial assets in the statement of financial position according to the following fair value hierarchy:

- level 1: fair values derived from market prices (without adjustments) observed on active securities markets,
- level 2: fair values are directly or indirectly derived from other sources in the market that can be tracked except for market prices on securities market, and
- level 3: fair values derived from valuation techniques which are based on sources that cannot be tracked on markets.

There were no transfers during the measurement of the fair value of assets and liabilities.

Fair value measurement of assets and liabilities (fair value hierarchy) as at 13 December

in EUR	Level 1	Level 2	Level 3	TOTAL 2020	Level 1	Level 2	Level 3	TOTAL 2019
Assets at fair value	**0**	**48,661,098**	**6,208,987**	**54,870,085**	**0**	**49,126,095**	**6,208,987**	**55,335,082**
Financial investments in stocks and shares	0	0	6,208,987	**6,208,987**	0	0	6,208,987	**6,208,987**
PPE - at fair value (property)	0	48,661,098	0	**48,661,098**	0	49,126,095	0	**49,126,095**
Assets measured at amortised value	**22,473,305**	**0**	**26,798,568**	**49,271,873**	**34,771,969**	**0**	**32,246,471**	**67,018,440**
Loans given and deposits	0	0	33,356	**33,356**	0	0	54,625	**54,625**
Operating receivables due from buyers	0	0	24,673,800	**24,673,800**	0	0	30,081,272	**30,081,272**
Long-term operating liabilities	0	0	2,091,412	**2,091,412**	0	0	2,110,574	**2,110,574**
Cash assets	22,473,305	0	0	**22,473,305**	34,771,969	0	0	**34,771,969**
Liabilities held at cost with fair value disclosed	**0**	**0**	**117,333,403**	**117,333,403**	**0**	**0**	**158,797,719**	**158,797,719**
Borrowings received	0	0	101,528,776	**101,528,776**	0	0	141,686,956	**141,686,956**
Operating liabilities towards suppliers	0	0	15,804,627	**15,804,627**	0	0	17,110,763	**17,110,763**

4.4.7 RELATED PARTY TRANSACTIONS

SALES TO RELATED PARTIES

in EUR	2020	2019
Controlling company	430,143	146,952
Subsidiaries	2,498,138	133,709
Other related parties	37,327,190	30,512,331
Total	**40,255,471**	**30,792,992**

PURCHASES FROM RELATED PARTIES

in EUR	2020	2019
Controlling company	3,451,305	2,888,165
Subsidiaries	428,809	969,106
Other related parties	6,911,155	6,825,793
Total	**10,791,269**	**10,683,064**

OPEN ITEMS FROM SALE/PURCHASE FROM RELATED PARTIES

in EUR	2020	2019
Receivables from business operations with related parties		
Controlling company	0	94,633
Subsidiaries	413,633	56,326
Other related parties	2,007,277	2,721,326
Total	**2,420,910**	**2,872,285**
Liabilities from business operations with related parties		
Controlling company	366,523	292,316
Subsidiaries	17,690	11,456
Other related parties	964,309	1,037,577
Total	**1,348,522**	**1,341,350**

BORROWINGS FROM RELATED PARTIES

in EUR	2020	2019
Controlling company	100,000,000	140,000,000
Total	**100,000,000**	**140,000,000**

INTEREST FROM ACQUIRED BORROWINGS FROM RELATED PARTIES

in EUR	2020	2019
Controlling company	2,509,892	3,307,112
Total	**2,509,892**	**3,307,112**

OPEN ITEMS FOR INTERESTS FROM ACQUIRED BORROWINGS FROM RELATED PARTIES

in EUR	2020	2019
Controlling company	512,374	553,791
Total	**512,374**	**553,791**

DIVIDENDS PAID

in EUR	2020	2019
Controlling company	0	23,328,247
Total	**0**	**23,328,247**

DIVIDENDS PAYABLE

in EUR	2020	2019
Controlling company	24,691,135	0
Total	**24,691,135**	**0**

DIVIDENDS RECEIVED

in EUR	2020	2019
Subsidiaries	151,092	199,480
Total	**151,092**	**199,480**

All transactions with related parties were made under market conditions for which the company received adequate payment and was not at a disadvantage due to them. Additionally, no transactions were made which would not be conducted under standard market conditions. In 2020, Pivovarna Laško Union d.o.o. conducted business activities with related parties in accordance with the Financial Transactions of Enterprises Act.

The controlling company is Heineken International, B.V. Subsidiaries are PLU Online, d.o.o., Vital Mestinje, d.o.o. (sold in 2020) , Laško Grupa Kosovo, Sh.p.k. and Laško Grupa, d. o. o. Other related parties are other companies in the Heineken Group and other related parties pursuant to 'IAS 24', except member of the management and supervisory boards.

4.4.8 REMUNERATION OF MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARDS AND THE EMPLOYEES WITH INDIVIDUAL CONTRACT OF EMPLOYMENT

Management board remuneration

in EUR	2020	2019
MANAGEMENT BOARD		
Fixed remuneration	1,455,242	1,381,580
Other receipts (benefits)	63,320	47,800
Variable remuneration (incentive pay)	251,832	332,197
Indemnities	0	138,555
Total	**1,770,394**	**1,900,132**

As at 31 December 2020 the management board of PLU consisted of six members. Three members of the board are considered by the controlling company as posted workers from abroad.

Obligations of the company to the management board are obligations for December 2002 from gross salaries in the amount of EUR 104,147 which were paid in January 2021.

Individual contract receipts

in EUR	2020	2019
INDIVIDUAL CONTRACTS		
Fixed remuneration	1,523,690	1,791,065
Other receipts (benefits)	78,290	70,784
Variable remuneration (incentive pay)	158,338	192,662
Compensations for damages	44,000	0
Jubilee benefits	1,674	1,651
Severance pay	123,300	116,000
Total	**1,929,292**	**2,172,162**

Supervisory Board members receipts

in EUR	2020	2019
SUPERVISORY BOARD		
Meeting fees	36,800	39,165
Total	**36,800**	**39,165**

4.4.9 POTENTIAL ASSETS AND POTENTIAL LIABILITIES

As at 31 December 2020, the company did not have any significant potential assets or liabilities.

4.4.10 UNDERTAKINGS

As at 31 December 2020, the company had commitments in the amount of EUR 2,928,000 from sponsorships.

4.4.11 AMOUNTS SPENT ON AUDITING

The contractually agreed upon auditing cost in 2020 amounted to EUR 56,600. No other services were performed by the auditor.

4.4.12 EVENTS STATEMENT OF FINANCIAL AFTER THE DATE OF THE POSITION

The most important event after 31 December 2020 was the gradual reopening of bars, restaurants, hotels and other catering establishments which were closed since autumn 2020 due to measures by the Government of the Republic of Slovenia aimed against the spread of the COVID 19 virus. The sale through the HORECA (hotels, restaurants, catering) sales channel has gradually been reestablished.

There were no other significant events post 31 December 2020.